



GALAXY
DIGITAL

**Galaxy Digital Holdings Ltd.
(formerly Bradmer Pharmaceuticals Inc.)**

Management's Discussion and Analysis

April 26, 2019

Introduction

This Management's Discussion and Analysis ("MD&A"), dated April 26, 2019, relates to the financial condition and results of operations of Galaxy Digital Holdings Ltd. ("GDH Ltd." or together with its consolidated subsidiary, the "Company") as of April 26, 2019, and is intended to supplement and complement the Company's consolidated financial statements for the years ended December 31, 2018 and 2017. The Company's only significant asset is a minority interest in Galaxy Digital Holdings LP ("GDH LP" or the "Partnership"), an operating partnership that intends to build a full-service merchant banking business in the cryptocurrency and blockchain space (See Transaction section). GDH LP has separately filed its consolidated financial statements and MD&A for the year ended December 31, 2018, which are available on the Company's SEDAR profile at www.sedar.com. **The Company's MD&A should be read in conjunction with GDH LP's consolidated financial statements and MD&A. The Company has included GDH LP's MD&A as an appendix to this MD&A.**

This MD&A, when read in conjunction with GDH LP's MD&A, was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in US dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the fourth quarter and the year ended December 31, 2018 are not necessarily indicative of the results that may be expected for any future period.

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

Cautionary Note Regarding Forward-Looking Statements

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

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Some of the risks that could cause outcomes and results to differ materially from those expressed in the forward-looking statements include the risks described under Risk and Uncertainties in this MD&A. Readers are cautioned that such risk factors, uncertainties and other factors are not exhaustive. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. The forward-looking statements in this MD&A are applicable only as of the date of this MD&A or as of the date specified in the relevant forward-looking statement and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable securities laws. Investors are cautioned that forward-looking statements are not guarantees of future performance and are inherently uncertain. Accordingly, investors are cautioned not to put undue reliance on forward-looking statements.

Overview

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

Upon the closing of the Arrangement, on July 31, 2018, the Company continued out of the Province of Ontario to become a company existing under the laws of the Cayman Islands. The Company's principal address is 107 Grand Street, 8th Floor, New York, New York, 10013.

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

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

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC ("GGI"), a Delaware limited liability company, which is owned by the Michael Novogratz, the Chief Executive Officer ("CEO") of the Company, is the sole member of the General Partner and the majority owner of the Partnership as of December 31, 2018.

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, New Jersey, U.S. and the Cayman Islands (registered office).

As of date of filing, the Partnership has 74 full-time employees.

Transaction

On January 9, 2018, Galaxy Digital LP ("Galaxy LP") entered into a letter of intent (the "Letter of Intent") with 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 and is a Vancouver-based technology company focusing on advising, technology implementation and brokerage services for clients in connection with digital assets.

Galaxy LP, the personal investing business of Michael Novogratz, the CEO of the Company, 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 as 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 market 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 Investing, Asset Management, and Advisory Services. Galaxy LP intends to leverage its deep ties into bitcoin, ethereum and other protocol communities to drive returns from 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 Trading business manages a macro strategy of liquid and semi-liquid cryptocurrency and related asset investing that is deeply integrated with its principal investing, giving both business segments a competitive advantage over other market participants.
2. **Principal Investments:** The principal investing 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 investing 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. (the "GDH Ltd." or the "Resulting Issuer") and appoint a new slate to its board of directors (the "Board") 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. 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 ("C\$") (the "Offering") of approximately 61.0 million subscription receipts (the "Subscription Receipts") at a price of C\$5.00 per Subscription Receipt (the "Subscription Price") for gross proceeds of approximately C\$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 operating 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 issued a promissory note to 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 61.0 million Subscription Receipts at the Subscription Price for aggregate gross proceeds of approximately C\$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 Company (the "Subscription Receipt Agent"), as escrow agent for the Subscription Receipts, 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 business combination 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 met 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 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 Offering 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 private 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 shares 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. 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, Galaxy Digital Holdings GP LLC ("GDH GP" or the "General Partner"), 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 (i) 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 acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the 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.
- *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. For the year ended December 31, 2018, GDH LP paid \$0.7 million on behalf of GDH Ltd. which has been recorded as recoveries from associate in profit and loss.

- *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.

The foregoing summary is qualified in its entirety by the full text of the LPA which is available on the Company's SEDAR profile at www.sedar.com.

Accounting for the Arrangement

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

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

In addition, in order to account for the transaction as a reverse acquisition or an acquisition, it was important to determine whether one entity controlled the other. Under accounting guidance, an investor controls an investee if and only if the investor has all of the following:

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

On the date of the closing of the Arrangement and as of December 31, 2018, 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 Company. 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 December 31, 2018, 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 December 31, 2018, GGI had not converted any of its Class B Units.
- The board of GDH Ltd. was appointed by the shareholders of the Company and as of December 31, 2018, 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.

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 the GDH LP can only be replaced by a vote of at least 66 2/3% of the Unitholders. As of December 31, 2018, GGI owned approximately 79% 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, as of December 31, 2018, 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.

Accounting for the investment by GDH Ltd.

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

If and when Class B units of the Partnership are exchanged into ordinary shares of the Company, the Company receives Class A Units of the Partnership. As the Company's interest in GDH LP 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

You should carefully consider the risks and uncertainties described below as well as the other information contained in this MD&A. These risks and uncertainties are not the only ones facing GDH LP or GDH Ltd. Additional risks and uncertainties not presently known to GDH LP or GDH Ltd. or that are currently considered immaterial may also impair GDH LP's business operations. If any of these events actually occur, GDH LP's business, prospects, financial condition, cash flows and operating results could be materially harmed, and GDH Ltd. would also be adversely affected.

Risks Related to Valuation and Estimates

Cryptocurrencies and blockchain-based assets (collectively, "Digital Assets") can fluctuate dramatically in value and can lose material value in a short period of time.

Digital Assets such as bitcoin, can fluctuate dramatically in value and can lose material value in a short period of time. There can be no assurance as to the value of GDH LP's portfolio as of any date in the future. Any such valuation could diverge from previous estimates as a result of market fluctuations or additional third-party valuations of underlying assets using different and potentially inconsistent methods, financial reporting requirements under the IFRS or other factors.

Risks Related to GDH Ltd. and GDH Ltd. shares

GDH Ltd. is a non-operating holding company whose only principal asset will be its equity interest in GDH LP, an entity which GDH Ltd. does not control.

GDH Ltd. is a legal entity separate and distinct from GDH LP and derives substantially all of its income or loss from its share of GDH LP activities. Therefore, GDH Ltd. primarily relies on GDH LP to meet its obligations either through distributions or GDH LP directly paying its expenses. GDH Ltd. will generally have no ability to assure any distributions to its shareholders or cause GDH LP to make such distributions. To the extent that GDH Ltd. needs funds to pay expenses generally and GDH LP cannot pay GDH Ltd.'s expenses or does not make a distribution to GDH Ltd., the value of any investment in GDH Ltd. could decline substantially.

All risks of GDH LP are the risks of GDH Ltd. GDH Ltd. is a common equity holder in GDH LP and is not expected to benefit from any creditor-style protections.

Because GDH Ltd. is a holding company and holds no principal asset other than its equity interest in GDH LP, GDH Ltd. is exposed to all of the risks to which GDH LP is exposed. These risks include GDH LP's investment program based on risky and volatile digital asset classes, which create a material risk that holders of GDH Ltd. shares may lose their entire investment. GDH Ltd.'s equity interest in GDH LP will be the functional equivalent of common equity. This interest is not expected to carry any liquidation preference, distribution priority, priority in bankruptcy or insolvency or any other typical creditor-style protections. Accordingly, GDH Ltd.'s risk of loss, and consequently that of holders of GDH Ltd. shares, will not be mitigated by such protections.

The holding of, or trading, in GDH Ltd. shares may be, or become, illegal in certain countries or other jurisdictions.

One or more countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell or use Digital Assets. Such actions or restrictions may also result in the restriction of holding or trading in GDH Ltd. shares or cause the price of any affected digital asset to decrease, possibly substantially. Such actions or restrictions would likely materially and adversely affect the effectiveness of GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH Ltd. Shareholders are urged to consult legal advisors in their own relevant jurisdictions with respect to the current and prospective lawfulness of their purchasing, holding or selling GDH Ltd. shares.

GDH Ltd. shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce GDH Ltd. shares' liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of GDH Ltd. shares notwithstanding and in contravention of this limitation, GDH Ltd. could be materially and adversely affected.

With such limited exceptions as may be determined by the Board, GDH Ltd. shares may not be acquired by U.S. Benefit Plan Investors. GDH Ltd.'s constating documents provide that GDH Ltd. need not recognize any purported transfer of GDH Ltd. shares to a U.S. Benefit Plan Investor and will be entitled, via an "excess share" provision, to cause any U.S. Benefit Plan Investor who acquired GDH Ltd. shares in contravention to sell or otherwise divest such GDH Ltd. shares, including to GDH Ltd. or to a trust or similar vehicle established for this purpose. Furthermore, the shares could, now or in the future, represent ineligible investments for other categories of institutional purchasers as well. In each case, these considerations may reduce the number of prospective purchasers for whom GDH Ltd. shares are an attractive investment and therefore reduce GDH Ltd. shares' value and liquidity.

Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of GDH Ltd. shares notwithstanding and in contravention of this limitation GDH Ltd. could be materially and adversely affected. For example, if ERISA Plans were to acquire 25% or more of GDH Ltd. shares, the assets of the Company would likely be deemed to be "plan assets" under ERISA, which would result, among other things, in the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by GDH Ltd. and the possibility that certain transactions in which GDH Ltd. might otherwise seek to engage could constitute "prohibited transactions" under ERISA and Section 4975 of the Code, subjecting GDH Ltd. to potential liability under ERISA and penalty taxes under the Code. While GDH Ltd. has instituted safeguards to prevent this result, it is possible that such safeguards could fail to be effective (or could be deemed to have failed by a relevant governmental authority).

The market price and trading volume of GDH Ltd. shares may be volatile.

The market price and trading volume of GDH Ltd. shares has been volatile and will likely continue to be subject to significant fluctuations in response to, among other factors: developments in the Digital Assets industry; market fluctuations in Digital Assets generally or changes in the underlying values and trading volumes of the Digital Assets that GDH LP holds or trades; GDH LP's financial performance and prospects or changes in the financial performance and prospects of companies engaged in businesses that are similar to GDH LP's businesses; changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to GDH LP's businesses; sales of GDH Ltd. shares by the shareholders, including GDH Ltd. shares issued upon exchange any GDH LP Units; general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events; speculation in the press or investment community regarding GDH Ltd.'s or GDH LP's business or investments, or factors or events that may directly or indirectly affect its businesses or investments; and further issuances of GDH Ltd. shares or of GDH LP Units.

In recent years, stock markets have experienced significant price and volume fluctuations, which have had a significant impact on the market price of securities issued by many companies, even seemingly without regard to the operating performance of the affected companies. Moreover, the prices of the Digital Assets that GDH LP holds or trades have historically been, and will likely continue to be, highly volatile. Accordingly, the price of GDH Ltd. shares could fluctuate based upon factors that have little or nothing to do with GDH Ltd. or GDH LP's operating performance, which could materially and adversely affect the value of any investment in GDH Ltd. Additionally, in the absence of an active trading market, relatively small sales may result in a significant negative effect on the price of GDH Ltd. shares.

Changes in law could cause GDH Ltd. shares to be de-listed or GDH Ltd. to undergo costly restructuring, liquidation or sale.

Apart from the numerous material legal and regulatory risks to GDH LP itself, GDH Ltd. could be adversely affected by changes in law, regulation, interpretation of such law or regulation or regulator or exchange discretion. Such changes are difficult to predict but could conceivably lead to a cease-trade or the de-listing of GDH Ltd. shares, the inability to list GDH Ltd. shares in other jurisdictions or a costly restructuring or even liquidation of GDH Ltd.

GDH Ltd. may need or want to raise additional capital, but there are many reasons why it might be unable to do so, including the de-listing of GDH Ltd. shares or its inability to raise capital from investors in certain jurisdictions.

If GDH Ltd. does not successfully maintain its listing, the liquidity and market price of GDH Ltd. shares would be negatively impacted, which would make it more difficult for GDH Ltd. to sell additional GDH Ltd. shares or otherwise raise capital. Similarly, if, whether by reason of changes in law, regulation or interpretation or by reason of GDH Ltd.'s or GDH LP's conduct, GDH Ltd. became unable to sell shares to investors in particular jurisdictions, it would likewise be a significant detriment to GDH Ltd.'s ability to raise capital. Such difficulties could lead to the bankruptcy or insolvency of GDH Ltd., which would likely lead to material or complete losses for holders of GDH Ltd. shares.

Holders of GDH Ltd. shares may be subject to material dilution and downward pressure on the share price from exchanges of, or additional issuances of, GDH LP Units or from additional issuances of GDH Ltd. shares.

The significant majority of the economic interest in GDH LP is represented by GDH B Units, each of which may (subject to various conditions) be exchanged for one GDH Ltd. share. If many GDH B Units are exchanged for GDH Ltd. shares, the voting power and economic interest of then-current holders of GDH Ltd. shares will decrease proportionately (though the voting power and economic interest of GDH Ltd. in GDH LP will increase proportionately). Such exchanges would increase the market supply of GDH Ltd. shares, which could lead to a decrease in the market price of GDH Ltd. shares, especially since it is foreseeable that many exchanges may closely precede sales. Similarly, if GDH Ltd. issues additional GDH Ltd. shares or GDH LP issues additional GDH B Units, then-current holders of GDH Ltd. shares will be diluted directly or indirectly, respectively. Some such issuances beyond certain thresholds may require the approval of holders of GDH Ltd. shares, but other issuances may not.

GDH Ltd. will be required to pay former partners of GDH LP for certain tax benefits that GDH Ltd. may claim, and the amounts that GDH Ltd. may pay could be material.

GDH Ltd. has entered into a Tax Receivable Agreement with certain other GDH LP Unitholders that provides for the payment by GDH Ltd. to those GDH LP Unitholders a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that GDH Ltd. actually realizes as a result of any increase in tax basis in GDH LP's assets resulting from exchanges by those holders of GDH B Units for GDH Ltd. shares in accordance with the terms of the GDH B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the other GDH LP Unitholders, the price of GDH Ltd. shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that GDH Ltd. generates in the future, the tax rate then applicable and the portion of GDH Ltd.'s payments under the Tax Receivable Agreement that constitute imputed interest.

The payments that GDH Ltd. will be required to make under the Tax Receivable Agreement could be material. The payments are not conditioned upon the other GDH LP Unitholders' continued ownership of GDH Ltd. shares. Finally, because GDH Ltd. is holding company, GDH Ltd.'s ability to make payments under the Tax Receivable Agreement will be dependent on the ability of GDH LP to make distributions to GDH Ltd. If GDH Ltd. is unable to make payments under the Tax Receivable Agreement for any reason, those payments will be deferred and will accrue interest until paid.

Holders of GDH Ltd. shares will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of GDH Ltd. shares and on GDH Ltd.'s fundraising, businesses or other activities.

GDH Ltd. is not an investment fund and does not in the future intend to operate as an investment fund. Nonetheless, it is possible that GDH Ltd. may effectively be classified as the equivalent of a commodity pool or an investment fund under the investment company laws of various jurisdictions, including the Commodity Exchange Act, the 1940 Act and the European Union Alternative Investment Fund Managers Directive.

GDH Ltd.'s business is designed to comply with exemptions from the application of such laws, which means that holders of GDH Ltd. shares do not and will not benefit from the investor protections provided by such laws. At the same time, GDH Ltd. may be constrained by such laws from listing GDH Ltd. shares or raising additional capital in certain jurisdictions, to the potential detriment of the value and liquidity of GDH Ltd. shares, and GDH LP may be restricted or precluded from operating in certain jurisdictions without additional financial registrations or licenses that it does not currently have.

Furthermore, if, whether by reason of changes in law, regulation or interpretation or by reason of GDH Ltd.'s or GDH LP's conduct, GDH Ltd. no longer qualified for applicable exemptions from commodity pool or investment company laws, the results could be catastrophic for GDH Ltd. and could lead to GDH Ltd.'s liquidation or sale, which would likely lead to material or complete losses for holders of GDH Ltd. shares.

GDH Ltd. and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities. These indemnification obligations could be material.

The constating documents of GDH Ltd. and GDH LP provide for customarily broad rights of indemnification for directors as well as certain officers or other agents. The constating documents also provide for the possibility of advancement of expenses to such indemnified persons. In addition, each of GDH Ltd. and GDH LP have entered into indemnification agreements with its directors and officers. While rights of indemnification are typically viewed as a key protection and inducement for indemnified persons to serve in senior roles in which they may be exposed to liability, indemnification payments and advancement of expenses may be material and may have an adverse effect on GDH Ltd. or GDH LP. Furthermore, indemnified persons may be subject to derivative or other similar claims brought by the shareholders or GDH LP itself, which claims would generally be expected to be covered by rights of indemnification and, potentially, advancement of expenses. In certain circumstances, subject to applicable law in the relevant jurisdictions, indemnified persons may be entitled to indemnification even if their liabilities arose from their own negligence or unlawful conduct. GDH Ltd. or GDH LP has incurred, and is expected to continue to incur, significant expense to procure “D&O” insurance that both supports potential indemnification obligations of GDH Ltd. and GDH LP and, in some cases, provides indemnified persons with additional protection beyond the scope of these obligations. If GDH Ltd. or GDH LP is unable to maintain adequate insurance, there could be adverse consequences.

Holders of GDH Ltd. shares may be prevented from exercising voting power commensurate with their economic interests in GDH Ltd.

In respect of any general resolution proposed for approval by holders of GDH Ltd. shares, whether it relates to the election of directors or to any other matter, each holder will be required to certify that it is not a U.S. resident and, to the extent that it holds GDH Ltd. shares for the account or benefit of any other person, that person is not a U.S. resident. Those holders who do not so certify will still be able to vote on the resolution, but the aggregate total of the votes that those holders are entitled to cast will be limited to 49% of the total number of votes that all holders of GDH Ltd. shares are entitled to cast. This “variable voting” may cause certain holders’ views to have a greater or lesser influence on the governance of GDH Ltd. than would be the case solely on the basis of percentage holdings of GDH Ltd. shares. In the extreme, if only a small number of holders of GDH Ltd. shares were to provide the certification referred to above, they would hold outsized voting power in and influence over GDH Ltd. Also, this variable voting, to the extent that it causes voting power to diverge from percentage holdings of GDH Ltd. shares, would necessarily disadvantage U.S. residents who hold GDH Ltd. shares or persons that hold beneficially GDH Ltd. shares through U.S. residents.

Risks Related to GDH LP

GDH LP has limited operating history. Its business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.

GDH LP and its subsidiaries have limited operating history on which an investor might evaluate their performance. GDH LP is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues, any of which could have a material adverse effect on GDH LP and may force it to reduce or curtail operations. There is no assurance that GDH LP will be successful in achieving a return on shareholders’ investment and the likelihood of success must be considered in light of the early stage of operations. Even if GDH LP accomplishes these objectives, it may not generate the anticipated positive cash flows or profits. No assurance can be given that GDH LP will ever be successful in its operations and operate profitably.

Furthermore, GDH LP’s business lines—even its investment businesses—are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable. GDH LP may fail to be able to implement its investment or trading strategies, achieve its investment objectives, develop its business lines or produce a return for its investors. GDH LP has chosen to pursue a number of different businesses in this evolving industry. It is possible that some of these businesses may be difficult to enter and/or it may become evident that a particular business is not a productive use of capital or time. This could result in GDH LP modifying its businesses and focus.

From time to time, GDH LP may also launch new lines of business, offer new products and services within existing lines of business or undertake other strategic projects. There are substantial risks and uncertainties associated with these efforts and GDH LP would invest significant capital and resources in such efforts. Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to customers of GDH LP. Initial timetables for the development and introduction of new lines of business or new products or services and price and profitability targets may not be met.

Furthermore, GDH LP’s revenues and costs may fluctuate because new businesses or products and services generally require startup costs while revenues may take time to develop, which may adversely impact GDH LP’s results of operations. To date, GDH LP has not earned meaningful revenue, although it has flexibility to monetize assets. If GDH LP is unable to successfully manage

its business while reducing expenses, its ability to continue in business could depend on the ability to raise sufficient additional capital, obtain sufficient financing and monetizing assets. The occurrence of any of the foregoing risks would have a material adverse effect on GDH LP's financial results, business and prospects.

GDH LP's businesses may require regulatory licenses and qualifications that GDH LP does not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.

GDH LP's businesses involve certain activities which require regulatory licenses and qualifications such as dealing, management and advisory activities. These activities are often subject to material, costly and constraining financial regulation in jurisdictions worldwide. The process of acquiring and maintaining these licenses and qualifications will be costly and time-consuming, will occupy material management attention and is not certain to be successful, given that GDH LP may not meet the requirements for such licenses or qualifications or may fail to secure discretionary approval of relevant regulatory bodies. Galaxy Digital Advisors LLC, a subsidiary of GDH LP has submitted a Continuing Membership Application ("CMA") to the Financial Industry Regulatory Authority, which is currently pending. A failure or delay in receiving approval for the CMA, or approval of the CMA that is more limited in scope than initially requested, could have a significant and negative effect not only on GDH LP's businesses in that market, but also on its reputation generally. The law and regulation surrounding the operation of financial businesses with respect to Digital Assets is also unclear, uncertain, rapidly evolving and not assured to develop in a way that is favorable to GDH LP. There is a risk that GDH LP's businesses could be outlawed in many jurisdictions around the world.

Changes in law or regulation could subject GDH LP to further material, costly and constraining regulation, registration, licensing and other requirements.

Legal or regulatory changes or interpretations of GDH LP's existing and planned activities (including those of its subsidiaries), including the mere buying and selling of Digital Assets, could require the registration or licensing of GDH LP and/or its subsidiaries in additional, costly and constraining capacities, such as a money services business under the regulations promulgated by U.S. Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act or the BitLicense scheme adopted by the New York State Department of Financial Services, or pursuant to applicable laws of Canada and other jurisdictions, and would therefore require GDH LP and/or its subsidiaries to comply with applicable regulatory, licensing, examination and supervision requirements. Such additional requirements could cause GDH LP to incur extraordinary expenses, possibly materially and adversely affecting GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is highly dependent on Michael Novogratz, exposing shareholders to material and unpredictable "key man" risk.

GDH LP is highly dependent on the services of its founder, Chairman and CEO, Michael Novogratz, for conducting its businesses, implementing its investment and trading strategies and establishing and maintaining relationships with key business counterparties. If the services of Mr. Novogratz were to become unavailable for any reason including a voluntary decision by Mr. Novogratz no longer to continue with the business, it would have a material adverse effect on GDH LP's business and investment decisions, financial results and returns to shareholders.

GDH LP is controlled by Mr. Novogratz, whose interests may be different from those of shareholders.

Mr. Novogratz controls approximately 71.71% of Galaxy on a fully-exchanged basis (assuming all GDH LP B units that are award units are vested) as of December 31, 2018. Accordingly, Mr. Novogratz has the ability to substantially control GDH LP, including to elect members of the GDH GP Board. Where certain transactions, require the approval of shareholders, even though Mr. Novogratz may not be able to unilaterally authorize the transaction he may be able to unilaterally block it. This concentration of ownership and voting power may also delay, defer or prevent an acquisition by a third party or other change of control of GDH LP or GDH Ltd. and may make some transactions more difficult or impossible without the support of Mr. Novogratz even if they are in the best interests of the shareholders. Collectively, these considerations may have a negative effect on the price of GDH Ltd. shares.

Mr. Novogratz's interests may not be fully aligned with those of shareholders, which, given Mr. Novogratz's power and influence, could lead to actions that are not in the best interests of shareholders. For example, Mr. Novogratz may have a different tax position from GDH Ltd. (and shareholders), which could influence his decisions regarding whether and when GDH LP should dispose of assets or incur new or refinance existing indebtedness. Mr. Novogratz might also be motivated to take actions to retain his controlling stake in GDH LP at the expense of maximizing the overall value of GDH LP (and therefore GDH Ltd. and GDH Ltd. shares). Mr. Novogratz's fiduciary duties and the consent rights of GDH Ltd. and the shareholders may serve as a check on any such motivation, but shareholders cannot be assured that the potential divergence of Mr. Novogratz's interests and theirs might not hurt the value of GDH Ltd. shares.

Mr. Novogratz could engage in activities outside of GDH LP or could quit GDH LP in favor of other pursuits.

Mr. Novogratz is not contractually required to continue to provide services to GDH LP. While his employment agreement contains covenants that he will not compete with GDH LP and applicable laws may prevent Mr. Novogratz from engaging in certain directly competitive activities while he is a member of the Board or the GDH GP Board, such laws will not guarantee to shareholders that Mr. Novogratz will devote his full time, attention or efforts to GDH LP. Furthermore, if Mr. Novogratz were to cease to provide services to GDH LP, he could engage in other pursuits, which might or might not relate to Digital Assets or investing, while remaining the largest and generally controlling owner of GDH LP, an outcome that might not be favorable to shareholders. Mr. Novogratz may also continue to manage significant non-Digital Assets outside of GDH LP, which may consume some of his time, attention and efforts.

Mr. Novogratz's public profile makes it more likely that GDH LP will attract material regulatory scrutiny, which would be costly and distracting regardless of whether GDH LP has engaged in any unlawful conduct.

Mr. Novogratz has been a vocal and visible proponent of Digital Assets, in some cases attracting controversy in connection with his views and statements and the regulation of Digital Assets remains unclear in many parts of the world. Together, these considerations make it foreseeable that GDH LP could attract material regulatory scrutiny driven in part by the visibility of Mr. Novogratz. Regulatory scrutiny may take the form of requests for information or responses, examinations, meetings or other types of interactions that do not proceed to any formal enforcement action, suit, fine or other formal negative sanction but that can nonetheless consume a material amount of management's time, attention and efforts, lead to material spending on legal and other advisors and cause other negative consequences.

If GDH LP is unable to successfully identify, hire and retain productive individuals, it will not be able to implement its growth strategy successfully.

GDH LP's growth strategy is based, in part, on its ability to attract and retain highly skilled senior financial services professionals. Because of competition from other firms, GDH LP may face difficulty in recruiting and retaining professionals of a caliber consistent with its business strategy. If GDH LP is unable to successfully identify qualified professionals, this failure could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP or its subsidiaries and affiliates, face substantial litigation and regulatory risks.

As an enterprise whose material business lines include financial services, GDH LP or its subsidiaries and affiliates, depend to a significant extent on its relationships with its clients and its reputation for integrity and high-caliber professional services. As a result, if a client is not satisfied with GDH LP's services or if there are allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to GDH LP, or if there is negative publicity and press speculation about GDH LP, whether or not valid, that may harm GDH LP's reputation and may be more damaging to GDH LP's businesses than to businesses in other non-financial industries.

GDH LP or its subsidiaries and affiliates could be the subject of inquiries, investigations, lawsuits and proceedings by counterparties, clients, other third parties and regulatory and other governmental agencies in the U.S. and abroad, which could lead to increased expenses or reputational damage. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is time-consuming and expensive and can divert the attention of senior management. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last a number of years.

Certain GDH LP subsidiaries are subject to periodic examination by regulatory authorities. If compliance failures or other violations are found during an examination, a regulatory agency could initiate actions and impose sanctions for violations, including, for example, regulatory agreements, cease and desist orders, civil monetary penalties or termination of a license and could lead to litigation by investors or clients, any of which could adversely impact GDH LP.

If GDH LP and/or any governmental agency believe that it has accepted capital contributions by, or is otherwise holding assets of, any person or entity that is acting directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker or senior foreign political figure(s) suspected in engaging in foreign corruption, GDH LP and/or such governmental agency may "freeze the assets" of such person or entity. GDH LP may also be required to report and remit or transfer those assets to a governmental agency.

As a publicly listed company, GDH Ltd., is also subject to the risk of claims under the securities laws. Volatility in the stock price of GDH Ltd. increases this risk.

GDH LP's use of technology, proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.

GDH LP relies heavily on the use of technology, proprietary and non-proprietary software, data and intellectual property of GDH LP and third parties in the digital asset sector. The reliance on this technology and data is subject to a number of important risks. Much of the existing technology for the financial services businesses was not built to service Digital Assets, which require a unique set of considerations. GDH LP is working with numerous service providers to help develop technology to service the industry. If these platforms and technology solutions do not work as planned, or do not meet the level of quality required by GDH LP, it may make transacting business less efficient, more expensive and potentially prone to errors.

The operation of any element of the Digital Assets network or any other electronic platform may be severely and adversely affected by the malfunction of its technology and the technology of third parties. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. Furthermore, if GDH LP's software, hardware, data or other intellectual property is found to infringe on the rights of, or GDH LP's rights therein are found to be infringed upon by, any third party, the underlying value of the assets of GDH LP could be materially and adversely affected.

Third parties with which GDH LP does business or that facilitate GDH LP's business activities, including exchanges, financial intermediaries or vendors that provide services or security solutions for GDH LP's operations, could also be sources of technology risk to GDH LP, including from breakdowns or failures of their own systems or capacity constraints or other services that impair GDH LP's ability to process transactions and communicate with customers and counterparties. In addition, GDH LP is exposed to the risk that a technology disruption or other information security event at a vendor to GDH LP's third-party service providers could impede their ability to provide products or services to GDH LP. GDH LP may not be able to effectively monitor or mitigate operational risks relating to the use of vendors by third-party service providers.

GDH LP's businesses rely on third-party service providers.

GDH LP's operations could be interrupted if GDH LP's third-party service providers experience operational or other systems difficulties, terminate their services or fail to comply with regulations. GDH LP outsources some of its operational activities and accordingly depend on relationships with many third-party service providers. Specifically, GDH LP relies on third parties for certain services, including, but not limited to, legal, accounting, financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. GDH LP's business depends on the successful and uninterrupted functioning of GDH LP's information technology and telecommunications systems and third-party service providers. The failure of these systems, a cybersecurity breach involving any of GDH LP's third-party service providers or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based could interrupt GDH LP's operations. Because GDH LP's information technology and telecommunications systems interface with and depend on third-party systems, GDH LP could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with GDH LP's third-party service providers could entail significant delay, expense and disruption of service. As a result, if these third-party service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and GDH LP is unable to replace them with other service providers, particularly on a timely basis, GDH LP's operations could be interrupted. If an interruption were to continue for a significant period, GDH LP's business, financial condition and results of operations could be adversely affected. Even if GDH LP can replace third-party service providers, it may be at a higher cost to GDH LP, which could adversely affect GDH LP's business, financial condition and results of operations.

Cybersecurity incidents and other systems and technology problems may materially and adversely affect GDH LP.

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The digital asset industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to GDH LP's systems or GDH LP's clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by GDH LP and its service providers are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages; terrorism; and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. GDH LP has experienced cybersecurity incidents, none of which have been material. While GDH LP will deploy a range of defenses, it is possible GDH LP could suffer an impact or disruption that could materially and adversely affect GDH LP. The security of the information and technology systems used by GDH LP and its service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in its business. If these systems are compromised, become inoperable for extended periods of

time or cease to function properly, GDH LP or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to shareholders (and the beneficial owners of shareholders). Such a failure could harm GDH LP's reputation, subject it to legal claims and otherwise materially and adversely affect GDH LP's investment and trading strategies and the value of GDH LP (and therefore GDH Ltd.).

Force majeure events may materially and adversely affect the business continuity of GDH LP.

GDH LP may be affected by events beyond its control, including acts of nature, fires, floods, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some such events may adversely affect the ability of GDH LP or a counterparty to GDH LP to perform its obligations. In addition, the cost to GDH LP of repairing or replacing damaged reputation or assets as a result of such an event could be considerable. Certain events such as war or an outbreak of an infectious disease could have a broader negative impact on the world economy and international business activity generally, or in any location in which GDH LP may invest or conduct its business specifically.

Operational risk may materially and adversely affect GDH LP's performance and results.

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. GDH LP's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. Because GDH LP operates trading, lending, investment and other businesses that are reliant on both technology and human expertise and execution, GDH LP is exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of GDH LP's service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures. Operational errors or significant operational delays could materially negatively impact GDH LP's ability to conduct its business or service its clients, which could adversely affect results of operations due to potentially higher expenses and lower revenues, create liability for GDH LP or its clients or negatively impact its reputation. Recurring operational issues may raise concerns among regulators regarding our governance and control environment.

GDH LP may not be effective in mitigating risk.

GDH LP seeks to mitigate risk and has established policies and procedures to provide a sound operational environment for the types of risk to which it is subject, including operational risk, credit risk, market risk and liquidity risk. However, as with any risk management framework, there are inherent limitations to GDH LP's current and future risk management strategies, including risks that it has not appropriately anticipated or identified. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If GDH LP's risk management framework proves ineffective or if GDH LP's enterprise-wide management information is incomplete or inaccurate, it could suffer unexpected losses, which could materially adversely affect its results of operations or financial condition.

Managing different business lines could present conflicts of interest.

GDH LP is building a full service, institutional-quality merchant banking business through its business lines: trading, principal investing, asset management, lending and advisory services. Subject to applicable regulatory approvals, GDH LP may also launch additional business lines from time to time. There are certain inherent and potential conflicts of interest in managing different business lines. Due to the broad scope of GDH LP's businesses, potential conflicts of interest include situations where its services to a particular client or GDH LP's own investments or other interests conflict, or are perceived to conflict, with the interests of another client, as well as situations where one or more of GDH LP's businesses have access to material non-public information that may not be shared with its other businesses and situations where GDH LP may be an investor or creditor of an entity with which it also has an advisory or other relationship. For example, GDH LP subsidiaries may provide corporate advisory services to companies that are also investee companies of GD Ventures or Asset Management. Furthermore, the allocation of investment opportunities among funds and GDH LP could also present a conflict of interest. In managing these different conflicts, fiduciary duty obligations may require GDH LP to resolve conflicts in favor of clients over the firm or other third parties. Employees and executives may also have conflicts of interest in allocating their time and activity between the businesses. GDH LP manages conflicts of interest through a number of ways including with a conflicts committee. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and GDH LP's reputation could be damaged and the willingness of clients to enter into transactions with GDH LP may be affected if GDH LP fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions. A failure to appropriately identify and address potential conflicts of interest could adversely affect GDH LP's businesses.

GDH LP incurs increased costs as a result of supporting GDH Ltd. and funding the requirements applicable to GDH Ltd. as a public company.

GDH Ltd. incurs significant levels of legal, accounting and other expenses in respect of its status as a publicly listed company. Canadian Securities Law, together with the listing requirements of the exchanges (or any other stock exchange on which GDH Ltd. shares may be listed on in the future), impose significant requirements relating to disclosure controls and procedures and internal control over financial reporting. GDH LP incurs significant costs as a result of compliance with these public company requirements at both GDH Ltd. and GDH LP levels, which require additional resources and make some activities more time-consuming. GDH LP may experience higher-than-anticipated operating expenses as well as higher independent auditor and consulting fees and may need to hire additional qualified personnel to continue to satisfy these public-company requirements. GDH LP is required to expend considerable time and resources with respect to GDH Ltd.'s compliance with public company regulations. If GDH Ltd. or GDH LP is unable to satisfy GDH Ltd.'s obligations as a public company, GDH Ltd. could be subject to de-listing of GDH Ltd. shares, fines, sanctions or other detrimental regulatory actions.

GDH LP could be victim of employee misconduct.

In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest, or other misconduct by individuals in the financial services industry, and there is a risk that an employee of or contractor to GDH LP or any of its affiliates could engage in misconduct that adversely affects its business and results. It is not always possible to deter such misconduct, and the precautions GDH LP takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of or contractor to GDH LP or any of its affiliates, or even unsubstantiated allegations of such misconduct, could result in both direct financial harm to those entities and GDH Ltd.

Risks Related to GDH LP's Lines of Business

Changes in the value levels of the assets may cause GDH LP's assets under management ("AUM"), revenue and earnings to decline.

GDH LP asset management business, which is conducted through one or more subsidiaries, is primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees which are normally expressed as a percentage of returns to the client. Numerous factors, including price movements in the assets in the markets in which GDH LP manages assets, could cause:

- the value of AUM, or the returns that GDH LP realizes on AUM, to decrease;
- the withdrawal of funds from any products offered by GDH LP in favor of products offered by competitors; or
- a decrease in the value of seed or co-investment capital or a decrease in the amount of such capital available to invest.

The occurrence of any of these events may cause GDH LP's AUM, revenue and earnings, if any, to decline and may negatively impact the success of GDH LP's asset management business.

The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to Digital Assets in novel and unexpected ways.

Asset management is a highly regulated business subject to numerous legal and regulatory requirements. These regulations are intended to protect customers whose assets are under management and, as such, may limit GDH LP's ability to develop, expand or carry out its asset management business in the intended manner. GDH LP is guided in significant part by regulatory regimes that are not clear or are not yet developed. To the extent that there is any ambiguity as to whether an asset under management is a security, the applicability of many regulations to GDH LP's asset management business will not be clear. Furthermore, GDH LP must address conflicts of interest, as well as the perception of conflicts of interest, between itself (including the other business lines of GDH LP) and its clients and funds. In particular, GDH LP will be required to act in the best interest of its clients and funds, which may include allocating opportunities to its clients and funds rather than to its own principal business lines. In addition, the regulators have substantial discretion in determining what is in the best interest of a client of a fund and have increased their scrutiny of potential conflicts. Appropriately dealing with conflicts of interest is complex and if GDH LP fails, or appears to fail, to deal appropriately with any of these conflicts of interest, it may face reputational damage, litigation, regulatory proceedings, or penalties, fines or sanctions, any of which may have a material and negative impact on GDH LP's asset management business. In addition, to the extent that GDH LP is required to obtain client or investor consent in connection with any potential conflict, any failure or delay in obtaining such consent may have a material and negative impact on GDH LP's ability to take advantage of certain business opportunities.

Increased competition may cause GDH LP's AUM, revenue and earnings to decline.

The asset management industry is highly competitive and has relatively low barriers to entry. GDH LP currently expects that, as Digital Assets become more mainstream, additional competitors, potentially in large numbers, may begin providing asset management services with respect to Digital Assets. GDH LP competes based on a number of factors including: investment performance, the level of fees charged, the quality and diversity of services and products provided, name recognition and reputation, and the ability to develop new investment strategies and products to meet the changing needs of investors. In addition, the introduction of new technologies, as well as regulatory changes, may significantly alter the competitive landscape for investment managers in Digital Assets. This could lead to fee compression or require GDH LP to spend more to modify or adapt its product offerings to attract and retain customers and remain competitive with products and services offered by new competitors in the industry. Increased competition on the basis of any of these factors, including competition leading to fee reductions, or may cause our AUM, revenue and earnings to decline. Any of these could materially and negatively impact the success of GDH LP's asset management business.

The success of GDH LP's advisory services business will depend on generating and maintaining ongoing, profitable client demand for its services and solutions, and the failure of that demand to materialize or any future significant reduction in such demand or an inability to respond to the evolving technological environment could materially negatively affect GDH LP's advisory services business.

The success of GDH LP's advisory services business, which is conducted through one or more subsidiaries, depends on creating and maintaining a demand for its services and solutions with favorable margins. The ability to realize or maintain this demand could be negatively affected by numerous factors, many of which will be beyond the control of GDH LP and unrelated to its future work product.

Developments in the digital asset industry, which are expected to be rapid, could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries the GDH LP serves, or clients demand new services that GDH LP does not or is unable to provide, GDH LP may be less competitive in these new areas or need to make significant investment to meet that demand. GDH LP's strategy for developing its advisory business focuses on responding to these types of developments by driving innovation that will enable GDH LP to expand its advisory business into new growth areas. If GDH LP does not sufficiently invest in new technology and adapt to industry developments or evolve and expand our business at sufficient speed and scale, the success or even the viability of GDH LP's advisory services business would be negatively affected.

GDH LP may become involved in advisory projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that GDH LP believes will benefit in the future from blockchain technology and GDH LP's experience and network in Digital Assets industry.

The success of GDH LP's advisory services business could materially suffer if it is unable to obtain favorable pricing for services and solutions or if GDH LP is unable to remain competitive.

The success of GDH LP's advisory services business may be significantly affected by its ability to price its advisory services properly. If GDH LP is not able to obtain favorable pricing for its advisory services and solutions, the success of GDH LP's advisory services business may materially suffer. The rates GDH LP charges for its services and solutions may be affected by a number of factors, including:

- general economic and political conditions;
- the competitive environment in our industry; and
- the procurement practices of clients and their use of third-party advisors.

GDH LP believes that currently there are limited persons providing the digital asset advisory services that GDH LP provides. However, the barrier to entry is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's advisory services business could suffer if it is not able to remain competitive. The less GDH LP is able to differentiate its services and solutions or clearly convey the value of its services and solutions, the more risk that GDH LP will have in winning new work in sufficient volumes and at target pricing, which could materially negatively impact the success or viability of GDH LP's advisory services business. In addition, the introduction of new services or products by competitors could reduce GDH LP's ability to obtain favorable pricing and impact the overall economics for the services or solutions offered.

GDH LP's co-investments with third parties may be subject to substantial risk.

GDH LP may co-invest with third parties, including parties related to Mr. Novogratz, through joint ventures or other entities. Such investments may include risks in connection with such third-party involvement, including the possibility that a third-party

co-venturer may have financial difficulties, may have interests or goals that are inconsistent with those of GDH LP or may be in a position to take action in a manner contrary to GDH LP's investment objectives.

GDH LP is subject to risks in connection with its lending business.

GDH LP and its subsidiaries have loaned money to other companies as part of its principal investment business. The return of principal of the GDH LP's loans will depend in large part on the creditworthiness and financial strength of the issuers of such loans. While GDH LP performs extensive due diligence on its investments, nonetheless defaults are possible. In the event of a default by a borrower underlying an investment, GDH LP might not receive payments to which it is entitled and thereby could experience a decline in the value of its investments in the borrower. In the case of loans that are secured by collateral, while GDH LP generally expects the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to the investment. This risk is heightened given the fact that some portion of the collateral for these loans is expected to be Digital Assets, and thus subject to the volatility, liquidity and other risks detailed herein. The ability of GDH LP to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, GDH LP might not receive full payment on a secured loan investment to which it is entitled and thereby could experience a decline in the value of, or a loss on, the investment.

Other Risks Related to Digital Assets

The continuing development and acceptance of Digital Assets and distributed ledger technology are subject to a variety of risks.

Cryptocurrencies, such as bitcoin, and the other types of Digital Assets in which GDH LP invests and trades involve a new and rapidly evolving industry of which blockchain technology is a prominent, but not unique, part. The growth of the digital asset industry in general, and distributed ledger technology that supports Digital Assets, is subject to a high degree of uncertainty. The factors affecting the further development of the Digital Asset industry, as well as distributed ledger technology, include: continued worldwide growth in the adoption and use of Digital Assets; government and quasi-government regulation of Digital Assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocol of certain blockchain networks used to support Digital Assets; advancements in technology, including computing power, that may render existing distributed ledger technology obsolete or too slow; the use of the networks supporting Digital Assets for developing smart contracts and distributed applications; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to Digital Assets.

A decline in the adoption and use of Digital Assets would materially and adversely affect the performance of GDH LP.

Because Digital Assets are a new asset class and represent a technological innovation, they are subject to a high degree of uncertainty. The adoption of Digital Assets will require growth in usage and in the blockchain for various applications. Adoption of Digital Assets will also require greater regulatory clarity. A lack of expansion in use of Digital Assets and blockchain technologies would adversely affect the financial performance of GDH LP. In addition, there is no assurance that Digital Assets generally will maintain their value over the long term. The value of Digital Assets is subject to risks related to its use. Even if growth in the use of Digital Assets generally occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A contraction in use of Digital Assets generally may result in increased volatility or a reduction in prices, which would materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP.

The prices of Digital Assets are extraordinarily volatile.

Values of Digital Assets have historically been highly volatile. For instance, during the period from December 17, 2017 to December 16, 2018, Bitcoin experienced a decline of roughly 84%. Other cryptocurrencies have behaved similarly and could decline rapidly, including to zero. A decline in Digital Assets that GDH LP holds would negatively impact its financial position. A significant portion of demand for Digital Assets is generated by speculators and investors seeking to profit from the short- or long-term holding of these assets. Speculation regarding future appreciation in the value of a digital asset may inflate and make more volatile the price of that digital asset.

Several factors may affect the price of Digital Assets, particularly cryptocurrencies, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of cryptocurrencies or the use of cryptocurrencies as a form of payment. There is no assurance that cryptocurrencies will maintain their long-term value in terms of purchasing power in the future, or that acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. Only a limited number of cryptocurrencies, including bitcoin, have recently become sometimes accepted as a means of payment for some goods and services, and use of cryptocurrencies by consumers to pay at retail and commercial outlets remains very limited. In part, this is because cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such limited use as has developed to date, may result in increased volatility or a reduction in the value of that cryptocurrency or cryptocurrencies generally, either of which could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Political or economic crises may motivate large-scale sales of Digital Assets, which would result in a reduction in values and materially and adversely affect GDH LP.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. For example, political or economic crises could motivate large-scale acquisitions or sales of Digital Assets either globally, regionally or locally. Large-scale sales of certain Digital Assets would result in a reduction in their value and could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of GDH LP (and therefore in GDH Ltd.).

The regulation of Digital Assets continues to evolve in every jurisdiction, and regulatory changes or actions may restrict the use of Digital Assets, the operation of distributed ledger technologies that support such Digital Assets and platforms that facilitate the trading of such assets.

As Digital Assets have grown in popularity and in market size, governments, regulators and self-regulators (including law enforcement and national security agencies) around the world are examining the operations of digital asset issuers, users and platforms. To the extent that any Canadian, U.S. or other government or quasi-governmental agency exerts regulatory authority over the digital asset industry in general, the issuance of Digital Assets, and trading and ownership of and transactions involving the purchase and sale or pledge of such assets, may be adversely affected, which could adversely affect GDH LP's businesses and investments. The effect of any future regulatory change on digital asset issuers and participants in general is impossible to predict, but such change could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

The legal status of Digital Assets varies substantially from jurisdiction to jurisdiction and is still undefined and changing in many of them. Likewise, various government agencies, departments, and courts have classified and continue to classify Digital Assets differently. Changes in laws, regulations, policies and practices could have an adverse effect on GDH LP, its strategies, business and investments. For example, regulatory agencies could shut down or restrict the use of platforms or exchanges using Digital Assets or otherwise limit the use of Digital Assets. This, and any other changes in laws, regulations, policies and practices, could lead to a loss of any investment made by or in GDH LP, and in turn in the Company, and may trigger regulatory action by securities or other regulators.

Furthermore, various jurisdictions may, in the near future, adopt laws, regulations or directives that affect Digital Assets, the related markets and exchanges and the ability to use, trade and hold Digital Assets. Such laws, regulations or directives may conflict with one another and may negatively affect the acceptance of Digital Assets by users, merchants and service providers and may therefore impede the growth or sustainability of the bitcoin economy in Canada, the United States, the European Union, China, Japan, Russia or other locations and globally, or otherwise negatively affect the value of Digital Assets. Although there continues to be uncertainty about the full impact of these and other regulatory changes, GDH LP may become subject to a more complex regulatory framework in the near future and incur additional costs to comply with new requirements as well as to monitor for compliance with any new requirements in the future.

There are material risks and uncertainties associated with custodians of Digital Assets.

GDH LP uses custodians, exchanges and third-party wallet providers to hold its Digital Assets. Such parties may or may not be subject to regulation by U.S. state or federal or non-U.S. governmental agencies or other regulatory or self-regulatory organizations. While not currently anticipated, GDH LP could have a high concentration of its Digital Assets in one location or with one custodian, exchange or wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware or cyberattacks. Certain custodians, exchanges or third-party wallet providers may not indemnify GDH LP

against any losses of Digital Assets. Digital Assets held by certain custodians, exchanges or third-party wallet providers may be transferred into “cold storage” or “deep storage,” in which case there could be a delay in retrieving such Digital Assets.

GDH LP may also incur costs related to the third-party custody and storage of its Digital Assets. Any security breach, incurred cost or loss of Digital Assets associated with the use of a custodian could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Galaxy Digital Capital Management may be required to register as an investment adviser under the Advisers Act. Among other requirements, the Advisers Act mandates that if a registered adviser has custody of client funds and securities, it must maintain them with a “qualified custodian.” Given the characteristics of Digital Assets and the relative immaturity of the asset class, there are limited numbers of “qualified custodians” available at this time (if any). Difficulties in finding a “qualified custodian” could have a material adverse effects on the asset management business, including potentially causing it to liquidate a substantial portion of its portfolio. There is also a risk that the SEC determines that certain custodians used are not, regardless of their representations to the contrary, “qualified custodians”, which would potentially require the asset management group to move certain Digital Assets and/or subject it to regulatory action. The uncertainty and potential difficulties associated with this question and related questions could materially and adversely affect GDH LP’s asset management business.

The loss or destruction of a private key required to access certain cryptocurrencies or Digital Assets may be irreversible. GDH LP’s loss of access to its private keys or its experience of a data loss relating to its cryptocurrency or digital asset investments could adversely affect GDH LP.

Cryptocurrencies are controllable only by the possessor of the private key or keys relating to the “digital wallet” in which the currency is held. Private keys must be safeguarded and kept private in order to prevent a third party from accessing the cryptocurrencies while held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, GDH LP will be unable to access the cryptocurrencies held in the related digital wallet. Any loss of private keys relating to digital wallets used to store GDH LP or its affiliates cryptocurrencies could adversely affect its business and financial position.

Any loss of private keys relating to digital wallets used to store GDH LP’s cryptocurrencies and Digital Assets could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). If GDH LP’s cryptocurrency or other Digital Assets are lost, stolen or destroyed under circumstances rendering a party liable to GDH LP, the responsible party may not have the financial resources sufficient to satisfy GDH LP’s claims, which could lead to a material adverse effect on GDH LP.

The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of GDH LP’s digital asset holdings.

Holders of Digital Assets must adapt to technological change to secure and safeguard accounts. As technological change occurs, the security threats to GDH LP’s digital asset holdings will likely adapt, and previously unknown threats may emerge. Furthermore, GDH LP may become a greater target of security threats as GDH LP’s size and reputation increases. If GDH LP is unable to identify and mitigate or stop new security threats, GDH LP’s assets may be subject to theft, loss, destruction or other attack, which could result in a loss of GDH LP’s assets or materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

The unregulated nature and lack of transparency surrounding the operations of some digital asset exchanges may cause the marketplace to lose confidence in such exchanges.

Digital asset exchanges on which Digital Assets trade are relatively new and, in some cases, unregulated. Furthermore, while some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in the less transparent or unregulated exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have been a number of digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchange markets and the temporary or permanent closure of such exchanges may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of Digital Assets. These potential consequences could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP.

Short sales of Digital Assets may be especially risky.

GDH LP may make short sales of Digital Assets. In such a short sale, GDH LP would sell Digital Assets that it does not own, typically borrowed from a third party. Borrowing and lending markets for Digital Assets are currently limited and are unlikely

to become as developed and stable as those for securities or other established assets in the near term, if ever, which exposes GDH LP to risks.

Because GDH LP would remain liable to return any Digital Assets that it borrowed, GDH LP would be required to purchase an equivalent amount of Digital Assets prior to the date on which delivery to the third party is required. GDH LP will incur a loss as a result of a short sale if the price of the Digital Assets increases between the date of the short sale and the date on which GDH LP replaces the borrowed Digital Assets. The amount of any loss will be increased by the amount of the premium or interest that GDH LP may be required to pay in connection with a short sale. Short selling exposes GDH LP to unlimited risk with respect to the borrowed Digital Assets because of the lack of an upper limit on the prices to which those Digital Assets can rise. Purchasing Digital Assets to close out a short position can itself cause the price of the Digital Assets to rise further, thereby exacerbating any losses. Under adverse market conditions, GDH LP may have difficulty purchasing Digital Assets to meet its short sale delivery obligations, and may have to sell other Digital Assets to raise the necessary capital at a time when it would be unfavorable to do so. If a request for return of borrowed assets occurs at a time when other short sellers are receiving similar requests, a “short squeeze” can occur, and GDH LP may be compelled to replace borrowed Digital Assets previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the assets short. In addition, GDH LP may have difficulty purchasing assets to meet its delivery obligations if the assets sold short by GDH LP have a limited daily trading volume or limited market capitalization. Short sales by GDH LP and “short” derivative positions are forms of investment leverage, and the amount of GDH LP’s potential loss is theoretically unlimited.

Lending of Digital Assets may be especially risky.

GDH LP may lend Digital Assets to third parties, including affiliates. On termination of the loan, the borrower is required to return the Digital Assets to GDH LP; any gains or loss in the market price during the loan would inure to GDH LP. In the event of the bankruptcy of the borrower, GDH LP could experience delays in recovering its Digital Assets. In addition, to the extent that the value of the Digital Assets increases during the term of the loan, the value of the Digital Assets may exceed the value of collateral provided to GDH LP, exposing GDH LP to credit risks with respect to the borrower and potentially exposing GDH LP to a loss of the difference between the value of the Digital Assets and the value of the collateral. If a borrower defaults under its obligations with respect to a loan of Digital Assets, including by failing to deliver additional collateral when required or by failing to return the Digital Assets upon the termination of the loan, GDH LP may expend significant resources and incur significant expenses in connection with efforts to enforce the loan agreement, which may ultimately be unsuccessful. In addition, there is significant operational infrastructure required to scale the borrowing and lending of Digital Assets. The failure to appropriately implement the infrastructure related to the lending business could lead to operational risk and have a material adverse effect on GDH LP.

Blockchain networks, Digital Assets and the exchanges on which these assets are traded are dependent on internet infrastructure and susceptible to system failures, security risks and rapid technological change.

The success of cryptocurrency-based blockchain and other digital asset platforms will depend on the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Digital Assets have experienced, and are expected to continue to experience, significant growth in the number of users and amount of content. There is no assurance that the relevant digital asset infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. There is also no assurance that the infrastructure or complementary products or services necessary to make Digital Assets a viable product for their intended use will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs to adapt to changing technologies. The failure of these technologies or platforms or their development could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP. Cryptocurrencies are created, issued, transmitted, and stored according to protocols run by computers in the cryptocurrency network. It is possible these protocols have undiscovered flaws or could be subject to network scale attacks which could result in losses to GDH LP. Advancements in quantum computing could break the cryptographic rules of protocols which support certain GDH LP assets.

Malicious actors could manipulate the blockchain networks and smart contract technology upon which Digital Assets rely and increase the vulnerability of the blockchain networks.

If a malicious actor, including a state-sponsored actor, is able to hack or otherwise exert unilateral control over a particular blockchain network, or the Digital Assets on such a network, that actor could attempt to divert assets from that blockchain or otherwise prevent the confirmation of transactions recorded in that digital asset on that blockchain. Such an event could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). Digital Assets have been the subject of attempted manipulation by hackers to use them for

malicious purposes. For example, misuses could occur if a malicious actor obtains a majority of the processing power controlling the cryptocurrency validating activities and altering the blockchain on which cryptocurrency transactions rely. Moreover, if the award for solving transaction blocks for a particular digital asset declines, and transaction fees are not sufficiently high, the incentive to continue validating blockchain transactions would decrease and could lead to a stoppage of validation activities. The collective processing power of that blockchain network would be reduced, which would adversely affect the confirmation process for transactions by decreasing the speed of the adaptation and adjustment in the difficulty for transaction block solutions. Such slower adjustments would make the blockchain network more vulnerable to malicious actors' obtaining control of the blockchain network processing power.

The network contributors for certain Digital Assets could propose amendments to the network protocols and software for these Digital Assets that, if accepted and authorized by the network for these Digital Assets, could adversely affect an investment in GDH LP or GDH Ltd.

The networks for certain Digital Assets are based on a protocol governing the peer-to-peer interactions between computers connected to each other within that network. The development team for a network (if any) might propose and implement amendments to a network's source code through software upgrades altering the original protocol, including fundamental ideas such as the irreversibility of transactions and limitations on the validation of blockchain software distributed ledgers. Such changes to original protocols and software could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Intellectual property rights claims may adversely affect the operation of portfolio companies and digital asset networks.

Third parties may assert intellectual property claims relating to portfolio companies or digital asset networks and their source code. Regardless of the merit of any claim, any threatened action that reduces confidence in portfolio companies or digital asset networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). Additionally, a meritorious intellectual property claim could lead to a loss of value in the impacted portfolio company or prevent GDH LP or other end users from accessing a specific blockchain network or holding or transferring their Digital Assets, which could force the liquidation of certain Digital Assets in which GDH LP has an interest or cause the value of such Digital Assets to decline significantly. As a result, an intellectual property claim against a portfolio company or large participants on certain blockchain networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Banks or other third-party services providers may decline to provide services to companies engaged in digital asset-related businesses, including GDH LP.

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, including GDH LP, for a number of reasons, such as perceived compliance risks or costs. GDH LP's inability to procure or keep banking services would have a material and adverse effect on GDH LP. Similarly, continued general banking difficulties may decrease the utility or value of Digital Assets or harm public perception of those assets. In addition to banks, other third-party service providers including accountants, lawyers and insurance providers may also decline to provide services to companies engaged in digital asset-related businesses because of the perceived risk profile associated with such businesses or the lack of regulatory certainty. The failure of digital asset-related businesses to be banked or obtain services could materially and adversely affect GDH LP's businesses, investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Other Risks Related to Trading, Investments and Assets

Investments in initial coin offerings have declined and have been, and continue to be, subject to regulatory challenges.

While GDH LP's business is not focused on servicing "initial coin offerings" or ICOs, nonetheless GDH LP continues to hold initial coin offerings as investments. Initial coin offerings generally have been, and continue to be, subject to regulatory challenges. U.S. regulators, including the SEC, have repeatedly and publicly voiced significant concerns about ICOs, suggesting that many ICOs have been fraudulent and that many ICOs in the United States may have been conducted in violation of the Securities Act of 1933 (the "U.S. Securities Act") and U.S. state securities laws. There have been a number of high-profile enforcement actions by the SEC against individuals, companies and exchanges involved in ICOs. The Chairman of the SEC has also suggested that structuring or advising on ICOs may generally require broker-dealer registration under the Securities Exchange Act of 1934 (the "1934 Act"), which would also subject the party doing the structuring or advising to various theories of liability (for example, underwriter liability) under various securities laws. These actions have had a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally. ICOs have also been outlawed in some countries and could be outlawed in

other jurisdictions in the future. China and South Korea are prominent examples of countries that have effectively banned ICOs. If other jurisdictions adopt bans or impose other significant restrictions, this may also have a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally, which could impact certain of GDH LP's investments.

GDH LP may fail to develop and execute successful investment strategies.

The success of GDH LP's investment and trading activities will depend on the ability of the investment team to identify overvalued and undervalued investment opportunities and to exploit price discrepancies. This process involves a high degree of uncertainty. No assurance can be given that GDH LP will be able to identify suitable or profitable investment opportunities in which to deploy its capital. The success of the trading activities also depends on GDH LP's ability to remain competitive with other over-the-counter traders and liquidity providers. Competition in trading is based on price, offerings, level of service, relationships and market intelligence. The success of investment activities depends on GDH LP's ability to source deals and obtain favorable terms. Competition in investment activities is based on relationships, the ability to offer strategic advice to portfolio companies and reputation. The barrier to entry in each of these businesses is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's investment and trading business could suffer if it is not able to remain competitive.

GDH LP is exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.

GDH LP trades, invests and hold primarily Digital Assets and investments in the blockchain space and conducts related businesses. GDH LP may accumulate significant positions in, or otherwise have significant exposure to, a single digital asset or asset type. If GDH LP chooses to invest in concentrated positions, it could increase the volatility of investment results over time and exacerbate the risk that a loss in any position would have a material and adverse effect on GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is exposed to significant market risk based on its positions in Digital Assets, securities, commodities and other assets. The prices or values of digital and non-Digital Assets in which GDH LP may invest or trade can be, and likely will be, highly volatile. Sustained market declines and periods of significant market volatility may limit the ability of GDH LP to produce positive investment and trading results, and there can be no assurance that GDH LP's strategies will be successful in the markets and assets in which it invests or trades.

There may not be an active and liquid trading market for some of GDH LP's Digital Assets.

Some Digital Assets may be more difficult to value than other investments because such assets may not have a liquid or transparent trading market. GDH LP may not be able to sell a digital asset promptly or at a reasonable time or price. Although there may be an institutional market for certain Digital Assets, it is not possible to predict exactly how the market for such assets will develop or whether it will continue to exist. A digital asset that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for Digital Assets.

GDH LP's investments in other investment vehicles may be subject to substantial risk.

GDH LP may make direct or indirect investments in pooled investment vehicles, which may expose GDH LP to all of the risks of those vehicles' investments. The values of pooled investment vehicles are subject to change as the values of their respective assets fluctuate. To the extent that GDH LP invests in managed pooled investment vehicles, the performance of GDH LP's investments in such vehicles will be dependent on the investment and research abilities of persons other than GDH LP. The securities offered by such vehicles typically are not registered under applicable securities laws because they are offered in transactions that are exempt from registration.

GDH LP's investments in options may be subject to substantial risk.

GDH LP may invest in options on digital or non-Digital Assets. Purchasing and writing put and call options are highly specialized activities that entail greater-than-ordinary investment risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying asset. An uncovered call writer's loss is theoretically unlimited. The ability to trade in or exercise options may be restricted in the event that trading in the underlying asset becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. As of this writing, the availability of exchange-traded and over-the-counter options on Digital Assets is extremely limited, so terms may be unfavorable in comparison to those available for more firmly established types of options.

GDH LP's investments in derivatives may be subject to substantial risk.

Derivatives are financial instruments whose values are based on the value of one or more reference assets or indicators, such as a security, currency, interest rate or index. GDH LP's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Moreover, although the value of a derivative is based on an underlying asset or indicator, a derivative typically does not carry the same rights as would be the case if GDH LP invested directly in the underlying asset.

Derivatives are subject to a number of risks, such as potential changes in value in response to market developments, and the risk that a derivative transaction may not have the effect that GDH LP anticipated. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not achieve the desired correlation with the underlying asset or indicator. Derivative transactions may be highly volatile, and GDH LP could lose more than the amount it invests. Moreover, derivative transactions permit GDH LP to create investment leverage, which may exacerbate any losses on these positions. A liquid secondary market may not always exist for GDH LP's derivative positions at any time, and GDH LP may not be able to initiate or liquidate a derivative position at an advantageous time or price, which may result in significant losses.

In addition, derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with direct investments. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to GDH LP's portfolio.

GDH LP's investments in currencies may be subject to substantial risk.

GDH LP may trade currencies in the interbank market, a global network of commercial banking institutions that make markets in foreign currencies. There is no limitation on daily price moves of contracts traded through banks and dealers. Banks and dealers may require GDH LP to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies.

There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide bid-ask spread. Arrangements to trade currency contracts may be made with only one or a few banks, and liquidity problems might therefore be greater than if such arrangements were made with numerous banks. The imposition of credit controls by government authorities might limit such trading to less than that which GDH LP would otherwise undertake. In respect of such trading, GDH LP is subject to the risk of bank failure or the inability of, or refusal by, a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention may also be particularly significant at certain times in the interbank market.

GDH LP's investments in exchange-traded futures contracts expose it to the risks of a clearing broker.

The failure or bankruptcy of any of GDH LP's clearing brokers (or futures commission merchants) could result in a substantial loss of GDH LP's assets. Under the current regulations of the CFTC, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of that clearing broker's bankruptcy. In such an event, the clearing broker's customers, such as GDH LP, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers. When GDH LP trades bitcoin futures, it is exposed to the risk of its clearing broker.

GDH LP's investments and trading transactions may be subject to credit risk.

Credit risk is the risk that an issuer of a security or a counterparty will be unable or unwilling to satisfy payment or delivery obligations when due and the related risk that the value of an investment or trade may decline because of concerns about the issuer's or the counterparty's ability to make such payments. In addition to the risk of an issuer of a security in which GDH LP invests failing or declining to perform on an obligation under the security, GDH LP is exposed to the risk that third parties, including trading counterparties, clearing agents, exchanges, clearinghouses, custodians, administrators and other financial intermediaries that may owe GDH LP money, securities or other assets will not perform their obligations. Any of these parties might default on their obligations to GDH LP because of bankruptcy, lack of liquidity, operational failure or other reasons, in which event GDH LP may lose all or substantially all of the value of any such investment or trading transaction. When GDH LP trades on exchanges that specialize in digital asset futures and derivatives, it is exposed to the credit risk of that exchange.

GDH LP's investments in restricted securities may be subject to substantial risk.

GDH LP may invest in restricted securities, including private investment funds and venture capital investments. These may be less liquid and more difficult to value than other investments because such securities may not be readily marketable. GDH LP

may not be able to sell a restricted security promptly or at a reasonable time or price. Although there may be a substantial institutional market for restricted securities, it is not possible to predict exactly how the market for such securities will develop or whether it will continue to exist. A restricted security that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for restricted securities than for more liquid securities. Furthermore, GDH LP may have to bear the expense of registering restricted securities for resale and the many associated risks of substantial delays in effecting such a registration.

GDH LP is not obligated to hedge its exposures, and, if it does, hedging transactions may be ineffective or reduce GDH LP's overall performance.

GDH LP is not obligated to, and often times may not, hedge its exposures. However, from time to time, it may use a variety of financial instruments and derivatives, such as options, swaps, and forward contracts, for risk management purposes, including to: protect against possible changes in the market value of GDH LP's investment or trading assets resulting from fluctuations in the securities markets and changes in interest rates; protect GDH LP's unrealized gains in the value of its investments or trading assets; facilitate the sale of any such assets; enhance or preserve returns, spreads or gains on any trade or investment; hedge the interest-rate or currency-exchange risk on any of GDH LP's liabilities or assets; protect against any increase in the price of any assets that GDH LP anticipates purchasing at a later date; or to any other end that GDH LP deems appropriate. The success of any hedging activities by GDH LP will depend, in part, on its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets being hedged. Since the characteristics of many assets change as markets change or time passes, the success of GDH LP's hedging strategy will also be subject to its ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, while GDH LP may enter into hedging transactions to seek to reduce risk, such transactions may actually increase risk or result in a poorer overall performance for GDH LP than if it had not engaged in such hedging transactions.

GDH LP may make, or otherwise be subject to, trade errors.

Errors may occur with respect to trades executed on behalf of GDH LP. Trade errors can result from a variety of situations, including, for example, when the wrong investment is purchased or sold or when the wrong quantity is purchased or sold. Trade errors frequently result in losses, which could be material. To the extent that an error is caused by a third party, GDH LP may seek to recover any losses associated with the error, although there may be contractual limitations on any third party's liability with respect to such error.

GDH LP's trading orders may not be timely executed.

GDH LP's investment and trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments. GDH LP's trading orders may not be executed in a timely and efficient manner because of various circumstances, including, for example, trading volume surges or systems failures attributable to GDH LP or its counterparties, brokers, dealers, agents or other service providers. In such an event, GDH LP might only be able to acquire or dispose of some, but not all, of the components of its positions, or if the overall positions were to need adjustments, GDH LP might not be able to make such adjustments. As a result, GDH LP would not be able to achieve its desired market position, which may result in a loss. In addition, GDH LP can be expected to rely heavily on electronic execution systems (and may rely on new systems and technology in the future), which may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by GDH LP.

Unexpected market disruptions may cause major losses for GDH LP.

GDH LP may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for GDH LP. Any such disruptions and events may have a material and adverse effect on GDH LP's investment and trading strategies and on any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is exposed to losses due to lack of perfect information.

As a trader in Digital Assets, GDH LP will trade in a variety of assets with a number of different counterparties on both an anonymous and disclosed basis. GDH LP may at times trade with others who have information that is more accurate or complete than GDH LP's, and as a result GDH LP may accumulate unfavorable positions at unfavorable prices preceding large price movements in a given instrument. If the frequency or magnitude of these events increases, GDH LP's losses would likely increase correspondingly, which could have a material and adverse effect on the effectiveness of GDH LP's investment or trading strategies and on any investment in GDH LP (and therefore in the Resulting Issuer).

Valuation methodologies involve subjective judgments.

For purposes of IFRS-compliant financial reporting, GDH LP's assets and liabilities is valued in accordance with IFRS. Accordingly, GDH LP is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its audited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

GDH LP holds certain securities, such as privately placed equity, debt, warrants or options, that will not have readily assessable market values. In such instances, GDH LP will determine the fair value of such securities based on various factors. In connection with securities for which no external pricing information is available, GDH LP may rely on internal pricing models or third-party valuation agents. Such valuations may vary from similar valuations performed by other independent third parties for similar types of securities. The valuation of illiquid securities is inherently subjective and subject to increased risk that the information used to value the security or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, hinder GDH LP from effectively managing its investment portfolios and risks.

The value of GDH LP's portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, GDH LP will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that GDH LP is required to adopt could materially change the valuation of GDH LP's assets and liabilities.

Because of a wide variety of market factors and the nature of investments held by GDH LP, there is no guarantee that the value determined by GDH LP or a third-party valuation agent will represent the value that will be realized by GDH LP on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by GDH LP or a third-party valuation agent are inherently different from the valuation of GDH LP's securities that would be performed if GDH LP were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

Changes in, or the development of guidance relating to, accounting standards governing the preparation of GDH Ltd. or GDH LP's financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.

From time to time, the regulators change the financial accounting and reporting standards governing the preparation of GDH LP's financial statements or the interpretation of those standards. These changes are difficult to predict and can materially impact how GDH LP records and report its financial condition, results of operations, cash flows and other financial data. In some cases, GDH LP may be required to apply a new or revised standard retroactively or to apply an existing standard differently, also retroactively, in each case potentially resulting in the restatement of prior period financial statements and related disclosures. Additionally, GDH LP's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. The preparation of financial statements in conformity with IFRS requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in our financial statements. If subsequent events occur that are materially different than the assumptions and estimates GDH LP used, its reported financial condition, results of operation and cash flows may be materially negatively impacted.

In addition, the accounting for, and audit standards relating to, Digital Assets remain subject to further guidance. To the extent that such guidance imposes obligations on audit firms that they are not able to meet with respect to the review of Digital Assets, GDH LP and GDH Ltd. could have difficult in obtaining an audit opinion, filing audited financial statements in a timely manner or obtaining an unqualified opinion.

Risks Related to Taxation

The tax treatment of Digital Assets is unclear.

The treatment of Digital Assets under the tax laws of the jurisdictions in which GDH Ltd. and GDH LP are or may be subject to tax is unclear. The operations and dealings of GDH Ltd., through GDH LP, in or in connection with Digital Assets could be subject to adverse tax consequences in one or more jurisdictions, including as a result of development of the legal regimes surrounding Digital Assets, and GDH Ltd.'s operating results could be adversely affected thereby. Similarly, the purchase, holding or disposition of GDH Ltd. shares could also be subject to adverse treatment or adverse legal developments as a result of GDH Ltd.'s investment and dealings in Digital Assets through GDH LP.

With respect to GDH LP, many significant aspects of the U.S. federal income tax treatment of Digital Assets (including with respect to the amount, timing and character of income recognition) are uncertain. The General Partner does not intend to request a ruling from the Internal Revenue Service (the “IRS”) on these issues. Rather, the General Partner will cause GDH LP to take positions that it believes to be reasonable. There can be no assurance that the IRS will agree with the positions GDH LP takes, and it is possible that the IRS will successfully challenge GDH LP’s positions.

Shareholders and prospective purchasers of GDH Ltd. shares are urged to consult their own tax advisors regarding the treatment of Digital Assets and the consequences of investing in GDH Ltd., which, indirectly through GDH LP, will invest in Digital Assets.

GDH Ltd. may be treated as a U.S. corporation or “surrogate foreign corporation” for U.S. federal income tax purposes.

GDH Ltd. continued under the laws of the Cayman Islands, and GDH Ltd. intends to take the position that it is classified as a foreign corporation for U.S. federal income tax purposes. In certain cases, however, U.S. tax “inversion” rules under Section 7874 of the Code may cause a corporation organized outside of the United States to be treated as a U.S. corporation for U.S. federal income tax purposes if shareholders of a U.S. corporation acquired by GDH Ltd. (or partners of a U.S. partnership conducting a trade and business and acquired by GDH Ltd.) are treated as owning 80% or more of the stock of the foreign corporation by reason of holding such stock (or partnership interest) in such U.S. corporation (or U.S. partnership). The computation of the percentage interest is governed by complex rules that are often counterintuitive and unclear, and a foreign corporation may be treated as a U.S. corporation for U.S. tax purposes even if the foreign corporation is treated as tax-resident in another jurisdiction under the laws of that other jurisdiction (thus potentially subjecting the corporation to multiple taxation).

If GDH Ltd. were treated as a U.S. corporation, the tax liability of GDH Ltd. could materially increase, GDH Ltd. could be adversely affected and non-U.S. shareholders of GDH Ltd. could be subject to U.S. withholding tax on the gross amount of any dividends paid by GDH Ltd. on GDH Ltd. shares.

In addition, even if GDH Ltd. were treated as a foreign corporation, it could be treated as a surrogate foreign corporation if the percentage described above is calculated to be at least 60% but below 80%. A surrogate foreign corporation is subject to a number of unfavorable U.S. tax rules, and if GDH Ltd. were treated as a surrogate foreign corporation, certain adverse consequences could apply.

While GDH Ltd. believes that it is, for U.S. tax purposes, neither a U.S. corporation nor a surrogate foreign corporation, there can be no assurance that U.S. tax authorities will agree with this position or that, in the event of a legal challenge, a U.S. court would sustain GDH Ltd.’s position. Prospective purchasers of GDH Ltd. shares are urged to consult their own tax advisors regarding the implications of Section 7874 of the Code and related provisions for an investment in GDH Ltd.

The current structure of GDH Ltd. and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.

In the event of changes to U.S. tax law, GDH LP could seek to restructure its organization and operations, but there can be no assurance that such a restructuring would be successful, efficient or optimal from a business or operations perspective. Changes in tax laws, regulations or interpretations may have an adverse effect on GDH LP’s businesses, financial condition, results of operations and investments.

Market Controls and Regulations

GDH LP is engaged in developing a full-service merchant banking business in the blockchain space relating to trading, principal investments, lending, asset management and advisory services with respect to Digital Assets. Below is a description of the regulation, requirements or regimes that are, or are expected to be, applicable to GDH LP’s businesses by jurisdiction.

The worldwide regulation of investing and financial businesses is extremely complex; Digital Assets make up a relatively new and rapidly evolving space. GDH LP is expected to be guided in significant part by regulatory regimes that are not clear or are not yet developed. GDH LP intends to use its internal legal and compliance expertise, in consultation with its outside counsel, to determine how to engage in its business activities so as to obtain the appropriate licenses or to be able to rely on an exception or exemption from any relevant registration requirement. GDH LP will continue to monitor the laws and guidance issued in in these jurisdictions that may be applicable to its business.

United States

CFTC Regulation - The CFTC regulates markets in listed futures and various types of over-the-counter derivatives on commodities, when traded in, into or from the United States. The CFTC has taken the position that certain cryptocurrencies are commodities for purposes of the regulatory scheme of the Commodity Exchange Act of 1936 (the “CEA”). Generally speaking, trading in a principal capacity in “physical” commodities (that is, in the “spot” or “cash” markets) would not subject a person to a licensing or regulation requirement under the CEA. The CFTC does have jurisdiction over these activities with respect to its anti-fraud and anti-

manipulation authority under the CEA. Derivative transactions with commodities may be subject to regulation by the CFTC as “swap” transactions. The definition of “swap” is broad, and the CFTC’s swap regulation regime imposes requirements such as reporting and recordkeeping on swap counterparties, including market participants that are not registered with the CFTC.

SEC Regulation - The SEC, which regulates the offering, sale and trading of securities as well as various requirements applicable to public companies under U.S. federal securities laws, considers certain Digital Assets to be securities. GDH LP’s contemplated businesses may relate to products that may be considered securities for purposes of U.S. federal securities laws and regulations. As a general matter, any transaction in securities, including purchases and sales for principal investment, would be subject to the SEC’s anti-fraud and anti-manipulation authority under the U.S. Securities Act and the 1934 Act. In addition, offers and sales of securities may require registration under the Securities Act or, alternatively, compliance with various rules and regulations for exemptions from registration. The regulatory requirements of the Securities Act and the 1934 Act will require a careful facts and circumstances analysis of any involvement by GDH LP in ICOs as well as any resales of digital tokens initially issued in ICOs and is expected to be an important part of GDH LP’s compliance framework. Additionally, GDH LP’s activities with respect to securities may require registration with the SEC depending on their nature, particularly if GDH LP engages in customer-facing businesses such as brokerage or asset management.

Broker Dealer - The 1934 Act requires that any person who is a broker or a dealer must register with the SEC and defines a broker as “any person engaged in the business of effecting transactions in securities for the account of others.” In order for the financial advisory business to advise clients interested in transactions that involve securities, GDH LP intends to have a broker-dealer registered with the SEC. GDH LP has purchased a 20% interest in a registered broker dealer and has applied to the Financial Industry Regulatory Authority (“FINRA”) to complete the purchase of the remaining ownership interests in the firm. Among other things and depending on the scope of the broker-dealer license, broker-dealers registered with the SEC are subject to requirements relating to how to structure and complete transactions in securities, execute client orders, safeguard client assets and maintain the required levels of regulatory capital, among other things. In addition, broker-dealers are subject to anti-money laundering rules and requirements issued by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury under the U.S. Bank Secrecy Act (collectively, the “Anti-Money Laundering Rules”). The regulatory framework for broker-dealers includes significant oversight from both the SEC and the FINRA. The broker dealer may also be subject to U.S. state registration requirements.

Investment Adviser - The U.S. Investment Advisers Act of 1940 (the “Advisers Act”) defines an investment adviser as “any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities.” Galaxy Digital Capital Management LP (“GDCM”) has filed as an exempt reporting adviser with the SEC pursuant to Advisers Act. GDCM intends to become a registered investment adviser when required. To the extent that GDCM has discussions with potential investors, it intends to follow the applicable selling restrictions for each such jurisdiction. In addition, GDCM is subject to the Anti-Money Laundering Rules.

Regulation of Money Transmission - U.S. states have adopted a spectrum of approaches to the regulation of Digital Assets, ranging from a state applying its own money transmission licensing regime, which 49 of the states have done so in some form, to adopting a separate regulatory regime for the oversight of Digital Assets, such as New York’s BitLicense discussed below. In addition, the transmission of certain non-cryptocurrency Digital Assets, such as digital tokens, could also constitute a money services business. GDH LP is exploring the feasibility of registering as a money services business and receiving a money transmitter license in order to effect aspects of its trading business. Registration as a money transmitter under U.S. state law would generally require GDH LP to comply with the regulations applicable to a money services business, including the Anti-Money Laundering Rules. Furthermore, a number of U.S. states have adopted specific statutory provisions, or have issued guidance, regarding the treatment of virtual currencies under the money transmitter requirements of that U.S. state.

Virtual Currency Business Activity in New York - The New York State Department of Financial Services requires that any persons or entity engaging in virtual currency activity in New York obtain a BitLicense. Subject to certain exemptions, virtual currency business activity includes virtual currency transmission, custody, buying or selling as a customer business or controlling, administering or issuing virtual currency. GDH LP is exploring the feasibility of applying for a New York BitLicense in order to effect aspects of its trading business.

Lending - There is no U.S. federal law that governs lending activities. Some U.S. state laws may, under certain circumstances, require GDH LP to obtain a license from the relevant regulatory authority or authorities in a given state before conducting those lending activities. As a general matter, most state lending licensing laws focus their registration and regulatory requirements on small-dollar, consumer and household lending activities, not commercial lending activity. However, laws and licensing requirements related to lending activities vary from state to state. GDH LP is headquartered in the State of New York and will conduct its operations, including the lending activities, from the State of New York. One or more of the legal entities through which GDH LP

will conduct such lending activities will be incorporated in the State of Delaware. Generally, GDH LP expects to engage in its lending activities that are above the New York State dollar threshold and do not involve consumer credit transactions for purposes of Delaware State law. GDH LP intends to obtain the appropriate licenses if required.

Canada

GDH LP's diversified asset management firm dedicated to the digital currency and blockchain sectors intends, in the future, to register or file for a registration exemption in Canada to sell or distribute securities, or to advise with respect to investments in securities, or to act as an investment fund manager, if required.

GDH LP may from time to time make loans to Canadian companies. If GDH LP does make such loans, then it will be subject to a licensing requirement as a mortgage lender under applicable mortgage broker legislation in the Provinces of British Columbia and Ontario. To the extent GDH LP engages in activities related to selling mortgages that it has originated then, in addition to British Columbia and Ontario, it would also be subject to a licensing requirement in the Provinces of Manitoba and Newfoundland and Labrador. Additional Canadian regulatory requirements would arise if loans are made in cryptocurrency instead of in cash, if loans were made to borrowers located in Saskatchewan and if GDH LP engaged in debt collection or mortgage broker activities for others. Under Canadian law, while there are no registration requirements that would apply to GDH LP if it were to engage in debt collection activities for its own loans, there are specific requirements and restrictions on interactions with debtors that it must comply with in connection with collecting or attempting to collect debts. There are also specific restrictions with respect to GDH LP referring to itself as a "bank". GDH LP intends to comply with any such applicable requirements.

In March 2019, the Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada ("IIROC") jointly published Consultation Paper 21-402 Proposed Framework for Crypto-Asset Trading Platforms, in which they proposed regulation of platforms that facilitate the buying, selling or transferring of crypto assets. The proposal contemplates platforms becoming registered as investment dealers and becoming both dealer and marketplace members of IIROC. The proposal addresses the risks and features of the platforms through a series of requirements to be further developed through consultation with the financial technology community, market participants, investors and other stakeholders. The framework is intended to apply both to platforms that operate in Canada and to those that have Canadian participants. The comment period ends in May 2019 and the timing and impact of any final regulations remain uncertain.

Other Jurisdictions

GDH LP may engage in activities relating to Digital Assets in other jurisdictions, including, among other places, Japan, the U.K. and Hong Kong.

The Japan Virtual Currency Act (the "VC Act") of 2015 clarified that all virtual currency exchanges be registered or licensed. The VC Act covers: (i) the sale and purchase of virtual currency or exchange of a virtual currency into another virtual currency; (ii) an intermediary, brokerage or agency service for the sale, purchase or exchange of virtual currencies; and (iii) management (custody) of fiat currency or virtual currency on behalf of others in relation to the prior-described activities. Operators of a virtual currency exchange business have duties including customer identify verification, accountability, segregation of customers' assets, bookkeeping, compliance and internal audit. In March 2019, Japan's Financial Services Agency ("FSA") proposed a bill to the National Diet, the Japanese legislative body, which replaces the term "Virtual Currency" with "Crypto Assets" and is part of a wider effort to align current financial regulations with crypto regulations and address derivatives and securities token offerings. Under the bill, responsibilities of exchanges are proposed to be broadened, most pointedly in areas of leverage and reserve funds (equal to clients' deposits). The Payment Services Act ("PSA") and the Financial Instruments and Exchange Act ("FIEA") will be amended and: (i) certain types of crypto assets would constitute securities for purposes of Japanese securities regulations and would be exclusively regulated by the FIEA; (ii) derivatives in Crypto Assets would also be regulated under the FIEA; (iii) Crypto Asset custody would be regulated under the Payment Services Act and custody businesses would not be able to do business with Japanese residents without a license as a Crypto Asset Exchange Service Provider; and (iv) the offering and trading of securities token offerings would be subject to regulation under the FIEA, including those related to public offering and disclosure and using a licensed broker/dealer in connection with providing relevant services. The timing and final content of any final regulations remain uncertain.

In January 2019, the U.K. Financial Conduct Authority ("FCA") published a consultation paper, "Guidance on Crypto assets" to provide more regulatory clarity. The consultation period ends in April 2019, after which a policy statement with final guidance is expected to be released. The FCA outlines a number of definitions of crypto assets and applicable U.K. laws and indicates that crypto assets should be considered specified investments under the Regulated Activities Order or financial instruments regulated by the Markets in Financial Instruments Directive II. The paper also mentions that such assets could be regulated by the E-Money Regulations or Payment Services Regulations. The FCA's crypto asset guidance places cryptocurrencies into three potential categories, exchange tokens, security tokens and utility tokens and provides guidance regarding each token category.

The primary legislation in Hong Kong that governs the securities industry is the Securities and Futures Ordinance (“SFO”). Firms which engage in the conduct of “regulated activities” are subject to the licensing or registration regime of the Securities and Futures Commission (“SFC”); and the SFC has supervisory powers over intermediaries licensed or registered with the SFC in the conduct of “regulated activities” under the SFO. The scope of “regulated activities” largely depends on whether the subject matter falls within the legal definitions of “securities” or “futures products” under the SFO. The SFC in November of 2018 issued guidance related to virtual assets and securities tokens, which included measures to protect the interests of investors in virtual asset portfolios or funds and explored the potential regulation of virtual asset trading platforms. A regulatory framework was suggested for virtual asset portfolio managers, fund distributors and trading platform operators, which set out the standards for firms managing virtual asset portfolios, distributing virtual asset funds, or both; and the conceptual framework for the possible regulation of virtual asset trading platform operators. The SFC also published the Circular to intermediaries on distribution of virtual asset funds, which sets out the expected regulatory standards and practices in the distribution of virtual asset funds by licensed or registered intermediaries. The SFC noted that a significant portion of virtual asset activities did not fall within the SFC’s regulatory ambit because such virtual assets fall outside the legal definitions of “securities” or “futures contracts” under the SFO. Firms which do not conduct any “regulated activities” under the SFO will continue to operate outside the legal jurisdiction of the SFO. In March 2019, the SFC reiterated the legal and regulatory requirements for parties engaging in security token offering and related activities, particularly intermediaries that market or distribute such offerings.

Certain countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell, mine or use Digital Assets. Such limitations could cause the price of any affected digital asset to decrease substantially and restrict the ability of GDH LP to operate as planned, if at all.

Quarterly Highlights & Results

	Three months ended December 31, 2018		Three months ended September 30, 2018		Three months ended June 30, 2018		Three months ended March 31, 2018		Three months ended December 31, 2017	
<i>\$'s in millions</i>										
Cash	\$	—	\$	—	\$	222.1	\$	0.3	\$	0.3
Investment in associate		204.6		218.8		—		—		—
Total assets		204.6		218.8		222.1		0.3		0.3
Total liabilities		—		—		0.6		0.3		0.1
Shareholders' equity		204.6		218.8		221.5		(0.1)		0.2
Operating expenses		—		0.4		(0.3)		(0.3)		(0.1)
Equity loss from associate		(21.3)		(16.0)		—		—		—
Loss and comprehensive loss for the period		(21.3)		(14.8)		(0.2)		(0.2)		(0.1)

- As of December 31, 2018, total assets stood at \$204.6 million, an increase of \$204.3 million from December 31, 2017. The increase was primarily a result of the \$229.2 million of the private placement proceeds received from the Offering in connection with the closing of the Arrangement. The Offering proceeds were used to purchase a minority interest in GDH LP.
- The Company incurred \$0.5 million in operating expenses for the three months ended December 31, 2018 of which all were reimbursed by GDH LP under the terms of the LPA. Reimbursed expenses included directors fees of \$0.1 million, general and administrative expenses of \$0.1 million, and professional fees of \$0.3 million. The Company's operating expense was \$0.1 million for the three months ended December 31, 2017.
- The comprehensive loss increased to \$21.3 million for the three months ended December 31, 2018 due primarily to the Company's share of net loss from its investment in GDH LP. The Company's comprehensive loss was \$0.1 million for the three months ended December 31, 2017.

Other

Information for the eight quarters has been presented in accordance with IFRS. The net loss for the quarters ended June 30, 2018 and March 31, 2018 were primarily due to legal expenses incurred in connection with the Arrangement.

The loss and comprehensive loss for the periods prior to December 31, 2017 was not deemed material, as the Company was then seeking a business transaction and did not have any significant activities.

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

<i>\$s in millions</i>	Three months ended December 31, 2017	Three months ended September 30, 2017	Three months ended June 30, 2017	Three months ended March 31, 2017
Loss and comprehensive loss for the period	\$ (0.01)	\$ (0.04)	\$ (0.04)	\$ (0.03)

Annual Highlights & Results

<i>\$s in millions</i>	Year ended December 31, 2018	Year ended December 31, 2017	Year ended December 31, 2016
Equity loss from associate	\$ (37.3)	\$ —	\$ —
Operating expenses	(0.2)	(0.2)	(0.1)
Comprehensive loss for the year	(36.5)	(0.4)	(0.2)

- The Company's expenses for the year ended December 31, 2018 were \$0.2 million primarily due to legal fees as a result of the Arrangement. The Company's expenses for the years ended December 31, 2017 and 2016 were \$0.2 million and \$0.1 million respectively.
- The Comprehensive loss increased to \$36.5 million for the year ended December 31, 2018, primarily due to the Company's share of loss from its investment in GDH LP. The Company's comprehensive loss was \$0.4 million and \$0.2 million for the years ended December 31, 2017 and 2016 respectively.
- **As the only significant asset of the Company is its minority interest in GDH LP, the results of the Company will be driven by the results of GDH LP. For additional information on the results of GDH LP, see Quarterly Highlights and Results, Annual Highlights and Results, Performance by Reportable Segment, and the Financial Instruments, Digital Assets and Risk sections of GDH LP's MD&A, which is filed as an appendix to the GDH Ltd. MD&A.**
- As indicated in the Liquidity and Capital Resources section, the Company is dependent on financial support from GDH LP, which has the obligation to reimburse the Company for all reasonable operational expenses per the LPA.

Discussion of Operations & Operational Highlights

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

Financial Instruments and Other Risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at December 31, 2018, the Company is not exposed to credit risk.

Liquidity risk

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

Interest rate risk

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

Foreign exchange risk

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

Digital assets and market risks

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

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

Liquidity and Capital Resources

2018

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

	December 31, 2018	September 30, 2018	As of June 30, 2018	*As of March 31, 2018
Estimated working capital	\$ 52.7	\$ 77.3	\$ 10.3	\$ 35.0
Private placement proceeds	0.0	0.0	229.2	229.0
Payoff RLA & accrued interest	0.0	0.0	(111.0)	(86.0)
General overhead expenses – next 12 months	(45.0)	(40.0)	(50.0)	(40.0)
Capital to Trading business	0.0	(4.8)	(50.0)	(50.0)
Capital to Principal Investments business	(28.1)	(32.5)	(28.5)	(50.0)
Capital to Asset Management business	0.0	0.0	0.0	(35.0)
Cash to balance sheet	0.0	0.0	0.0	(3.0)
	\$ (20.4)	\$ 0.0	\$ 0.0	\$ 0.0
Digital Assets, net	51.1	90.6	97.3	90.1
	\$ 30.7	\$ 90.6	\$ 97.3	\$ 90.1

**As disclosed in the Company's Information Circular dated May 14, 2018 filed on the Company's profile at www.sedar.com, except for net digital assets.*

Working capital above is that of the Partnership and is calculated as the sum of cash, receivables, due from broker, prepaid expenses and other assets; less accounts payable and accrued liabilities, due to related party, payable for unsettled digital asset trades, and due to exchange.

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

As of December 31, 2018, the Company did not have any commitment for capital expenditures.

2017

The Company's operational activities for the year ended December 31, 2017 were financed by cash on hand. At December 31, 2017, the Company had working capital of approximately \$218,000, compared to approximately \$382,000 at December 31, 2016. The Company had available cash of approximately \$319,000 (C\$400,000) as at December 31, 2017, compared to cash of approximately \$414,000 (C\$556,000) as at December 31, 2016. The approximately \$95,000 decrease in cash was due to the \$184,000 net loss and the \$69,000 increase in non-cash working capital and \$20,000 of foreign currency adjustments.

Financial support

As the Company is a holding company, it is dependent on GDH LP to fund its operating expenses. In accordance with the LPA, GDH LP will reimburse or pay for all reimbursable expenses of GDH Ltd. or its subsidiary, GDH Intermediate LLC. The reimbursable expenses include all expenses reasonably incurred by GDH Ltd. or its subsidiary in the conduct of its business, including fees related to professional advisors, required or advisable licenses and filing, and directors fees. For the year ended December 31, 2018, GDH LP paid \$0.7 million on behalf of GDH Ltd.

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

Off-balance sheet arrangements

As of December 31, 2018, the Company did not have any off-balance sheet arrangements, other than the financial support mentioned in the Liquidity and Capital Resources section, that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, without limitation, such considerations as liquidity and capital resources that have not been previously been discussed.

Financial and Administrative Services

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

Financial Advisory Services

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

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

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

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

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

Commitments and Contingencies

GDH LP Class B Units

GDH LP has two classes of ownership interests: Class A Units and Class B Units. The units rank equally in all material respects, including from an economic and voting perspective, however under the terms of the LPA, Class B Units will, subject to certain limitations, be exchangeable for GDH Ltd. shares on a one-for-one basis.

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

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

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

- Standard Units - vest 50% on each of February 1, 2019 and September 1, 2019. Once vested, each Standard Unit can be exchanged for one share of GDH Ltd. for no additional consideration.
- Profit Interest Units - vest 50% on each of September 1, 2020 and September 1, 2021. The Profit Interest Units are subject to a catch up period, whereby the capital accounts balance of a Profit Interest Unit must equal the capital account of a Standard Unit. Initially, the Profit Interest Units will have a capital balance of \$nil and will be adjusted upon certain events that trigger a mark-to-market of GDH LP's assets and pick-ups of income until the capital account of the Profit Interest Units equals C\$5. Once the Profit Interest Unit is fully caught up, each Profit Interest Unit can be exchanged for one share of GDH Ltd. for no additional consideration.

As at December 31, 2018, after accounting for exchanges and forfeitures, there were 243,355,662 Class B Units issued of which 215,713,955 were outstanding and exercisable into ordinary shares of GDH Ltd.

As at April 26, 2019, after accounting for exchanges and forfeitures, there were 238,173,234 Class B Units issued of which 218,473,285 Class B Units were outstanding and exercisable into ordinary shares of GDH Ltd.

Stock Option Plan

The Company has a stock option plan (the "Plan") to grant options, which are exercisable into an equivalent amount of the Company's common shares, to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of GDH Ltd. on a fully diluted basis. The number of stock options granted to any person within a one-year period will not exceed 5% and the number granted to those individuals considered consultants or providing investor relations services may not exceed 2% in a one-year period, in each case on a fully diluted basis. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant. Options granted under the Plan will have a term not to exceed 5 years and be subject to vesting provisions as determined by the Board of Directors of the Company who administer the Plan. On exercise of an option, the holder will receive one common share in the Company and GDH LP will issue one Class A Unit to the Company.

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

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

As at April 26, 2019, there were 21,691,035 stock options outstanding of which 5,259,787 were exercisable.

Transactions with related parties

Compensation to key management personnel

The Company's related parties include its subsidiary, associates over which it exercises significant influence, and key management personnel. Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include officers, directors, companies controlled by officers and directors and companies with common directors of the Company. Compensation provided to key management personnel for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31, 2018	Year ended December 31, 2017
Directors fees	\$ 265,000	\$ —

Other

The Company paid or accrued legal fees, included in professional fees of \$135,258 and \$72,000 during the years ended December 31, 2018 and 2017, respectively, to a law firm, Wildeboer Dellelce LLP (“WD”), a partnership in which one of the partners was a director of the Company until July 2013 and had continued as a consultant to the Company until the date of the completion of the Arrangement. As of December 31, 2018, there was \$nil (2017 - \$47,300) included in accounts payable and accrued liabilities that was due to WD.

The Company paid or accrued financial and administrative services, included in consulting fees, of \$32,581, and \$55,400 during the years ended December 31, 2018 and 2017, respectively, to WD Capital Markets Inc. (“WCM”). WCM is a related company of WD by virtue of the partners of WD also being beneficial shareholders of WCM. On completion of the Arrangement, the Company issued WCM 40,000 ordinary shares, at which time WCM ceased to be a related party. As at December 31, 2018, there was \$nil (2017 - \$28,700) included in accounts payable and accrued liabilities that was due to WCM.

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

As of December 31, 2018, the Company's CEO served as a director of a cryptocurrency mining and blockchain infrastructure company GDH LP held an investment in and had extended a loan to. Furthermore, the CEO was a member of the advisory board for another company in which GDH LP holds an investment in. The CEO of the Company is also, beneficially, the majority owner of GDH LP.

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

Change in Accounting Policies including Initial Adoption

The following accounting policies were adopted and applied in the Company's consolidated financial statements for the year ended December 31, 2018.

Functional and Presentation Currency

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

The Company changed its functional currency from the Canadian dollar ("C\$") to the US dollar effective July 31, 2018. After completion of the corporate transaction, the Company's only significant asset is a minority interest in GDH LP. GDH LP's primary economic environment is the US, as its activities are driven mainly by the competitive forces and regulation in the US.

Prior to the completion of the corporate transaction, as the functional currency was different from the presentation currency, the statement of financial position accounts including share capital and reserves were translated using the exchange rate on the reporting date, except for deficit which was translated at the historical rate and income and expenses which were translated at exchange rates at the dates of the transactions. Resulting exchange differences were recognized in other comprehensive income (loss).

Foreign currency transactions are translated into the functional currency of the respective entity or division, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. Non-monetary items that are not re-translated at period end are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value, which are translated using the exchange rates as at the date when fair value was determined. Gains and losses are recorded in profit or loss.

Investment in associate

The Company accounts for its investment in its associate using the equity method. Under the equity method, the Company's investment in associate is initially recognized at cost and subsequently increased or decreased to recognize the Company's share of earnings and losses of the associate and for impairment losses after the initial recognition date. The Company's share of an associate's losses that are in excess of its investment in the associate are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. The Company's share of earnings and losses of associates are recognized through profit or loss during the period. Distributions received from an associate are accounted for as a reduction in the carrying amount of the Company's investment in the associate.

Intercompany transactions between the Company and its associates are recognized only to the extent of unrelated investors' interests in the associate.

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

Equity based compensation

The Company has a stock option plan to grant options to employees, officers, directors and consultants of the Company and its affiliates (inclusive of GDH LP). All options granted to date have been granted by GDH LP after receiving approval by the Board of Directors of GDH Ltd., therefore the fair value of all stock options has been recorded as a charge to operations and a credit to reserves in GDH LP. GDH Ltd. recognizes a portion through equity accounting of its investment in GDH LP.

The fair value of these stock options is measured at the grant date using the Black-Scholes option pricing model. The fair value of stock options which vest immediately is recorded at the grant date. For stock options which vest in the future, the fair value of stock options, as adjusted for the expected level of vesting of the stock options and the number of stock options which ultimately vest, is recognized over the vesting period. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Warrants issued to brokers are measured at their fair value on the vesting date and are recognized as a deduction from equity and credited to contributed surplus. The fair value of stock options and warrants issued to brokers are estimated using the Black-Scholes option pricing model. Any consideration received on the exercise of stock options and/or warrants, together with the related portion of contributed surplus, is credited to share capital.

New accounting policies

Effective January 1, 2018, the Company adopted the following accounting standards:

IFRS 9, *Financial Instruments* (“IFRS 9”)

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The Company adopted the standard retrospectively. IFRS 9 did not impact the measurement of financial assets and liabilities, but changed the classification of cash and amounts receivable and accounts payable and accrued liabilities to amortized cost classification.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Company's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”)

In May 2014 the IASB approved IFRS 15, *Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. The adoption of IFRS 15 on the Company's consolidated financial statements did not have a material impact.

Accounting pronouncements adopted on January 1, 2019

IFRS 16, *Leases* (“IFRS 16”)

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

Share Capital

Common Stock

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

As of December 31, 2018, after accounting for additional issuances related to exchanges of GDH LP Class B Units during the year, there were 65,117,305 ordinary shares issued and outstanding. As of April 26, 2019, there were 65,698,364 ordinary shares issued and outstanding.

There were no share capital transactions during the period ended December 31, 2017.

Stock Options

As at December 31, 2018 and April 26, 2019, in addition to the stock options disclosed under 'Commitments and Contingencies', the Company has the following stock options outstanding:

- 11,869 options at a weighted average exercise price of C\$12.64 and which expire on July 21, 2021;
- 3,561 options at a weighted average exercise price of C\$20.22 and which expire on June 25, 2019; and
- 710,517 options at an exercise price of C\$5.00 and which expire on July 31, 2018.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

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

Additional information relating to the Company 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 future values for certain assets or liabilities. Management believes such estimates, if applicable, have been based on careful judgments and have been properly reflected in the condensed consolidated interim financial statements.

Appendix



GALAXY

D I G I T A L

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

April 26, 2019

Introduction

This Management's Discussion and Analysis ("MD&A"), dated April 26, 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 April 26, 2019, and is intended to supplement and complement the Partnership's consolidated financial statements for the year ended December 31, 2018 ("FY 2018") and should be read in conjunction therewith. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations ("NI 51-102"). The consolidated financial statements and MD&A are presented in U.S. dollars, unless otherwise noted and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three months ended December 31, 2018 ("Q4 2018") and FY 2018 are not necessarily indicative of the results that may be expected for any future period.

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

Cautionary Note Regarding Forward-Looking Statements

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

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Partnership's ability to predict or control. Some of the risks that could cause outcomes and results to differ materially from those expressed in the forward-looking statements include the risks described under Risks and Uncertainties in this MD&A. 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.

Additional Disclosure

In connection with a staff review, the Ontario Securities Commission (the "OSC") staff requested additional disclosure in connection with the MD&A for the three months ended March 31, 2018. The additional disclosure did not impact current or prior financial figures. OSC staff requested the additional disclosure in accordance with the general objectives of MD&A as discussed in Part 1 of Form 51-102F1 in order to provide further information to investors about the quality and potential variability of Galaxy Digital LP's ("Galaxy LP", a subsidiary of GDH LP - see Transaction) and GDH LP's profit or loss and cash flow, specifically with respect to the realized and unrealized gains or losses on digital assets and investments. GDH LP has enhanced its MD&A disclosure to include the following information: additional information regarding new material investments; information regarding the largest investments by fair value, including the cost and fair value of such investments; a breakdown of the cost and fair value of net digital assets categorized by market capitalization and accompanied by narrative discussion; and information regarding select digital assets by fair value, including the quantity, cost and fair value of such digital asset.

Overview

The Partnership is a limited partnership formed under the laws of the Cayman Islands on May 11, 2018. Galaxy Digital Holdings GP LLC (“GDH GP” or the “General Partner”), is a limited liability company incorporated under the laws of the Cayman Islands on July 26, 2018 and serves as the general partner of the Partnership. Galaxy Group Investments LLC (“GGI”), a Delaware limited liability company which is owned by Michael Novogratz, is the sole member of GDH GP and continues to be majority owner of the Partnership as of December 31, 2018.

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, New Jersey, U.S and the Cayman Islands (registered office).

As of the date of this filing, the Partnership has 74 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 (see 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 Investing, 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 Trading business manages a macro strategy of liquid and semi-liquid cryptocurrency and related asset investing that is deeply integrated with its principal investing, giving both business segments a competitive advantage over other market participants.

2. Principal Investments: The principal investing 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 investing 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" or the "Company") 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 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 the 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 (“Extension 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 was 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 (i) 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 acquire, redeem or cancel Class A Units equal to the number of ordinary shares redeemed, repurchased or acquired for an amount equal to the net cash amount paid by the GDH Ltd. for such redemption, repurchase, or other acquisition.
- *Exchanges of Class B Units* - A Class B limited partner may exchange vested Class B Units for ordinary shares of GDH Ltd. On exchange, GDH Ltd. will issue ordinary shares and the 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.
- *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. For the year ended December 31, 2018, GDH LP paid \$742,566 on behalf of GDH Ltd. which has been included in general and administrative expenses in profit and loss.

- *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.

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. The Partnership does not expect to realize any of the benefits from the acquisition of First Coin contemplated when the Arrangement was entered into earlier in the year.

Accounting for the Arrangement

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

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

In addition, in order to account for the transaction as a reverse acquisition or an acquisition, it was important to determine whether one entity controlled the other. Under accounting guidance, an investor controls an investee if and only if the investor has all of the following:

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

On the date of the closing of the Arrangement and as of December 31, 2018, 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 Company. 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 December 31, 2018, 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 December 31, 2018, GGI had not converted any of its Class B Units.
- The board of GDH Ltd. was appointed by the shareholders of the Company and as of December 31, 2018, 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.

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 the GDH LP can only be replaced by a vote of at least 66 2/3% of the Unitholders. As of December 31, 2018, GGI owned approximately 79% 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, as of December 31, 2018, 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.

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

You should carefully consider the risks and uncertainties described below as well as the other information contained in this MD&A. These risks and uncertainties are not the only ones facing GDH LP or GDH Ltd. Additional risks and uncertainties not presently known to GDH LP or GDH Ltd. or that are currently considered immaterial may also impair GDH LP's business operations. If any of these events actually occur, GDH LP's business, prospects, financial condition, cash flows and operating results could be materially harmed, and GDH Ltd. would also be adversely affected.

Risks Related to Valuation and Estimates

Cryptocurrencies and blockchain-based assets (collectively, "Digital Assets") can fluctuate dramatically in value and can lose material value in a short period of time.

Digital Assets such as bitcoin, can fluctuate dramatically in value and can lose material value in a short period of time. There can be no assurance as to the value of GDH LP's portfolio as of any date in the future. Any such valuation could diverge from previous estimates as a result of market fluctuations or additional third-party valuations of underlying assets using different and potentially inconsistent methods, financial reporting requirements under the IFRS or other factors.

Risks Related to GDH Ltd. and GDH Ltd. shares

GDH Ltd. is a non-operating holding company whose only principal asset will be its equity interest in GDH LP, an entity which GDH Ltd. does not control.

GDH Ltd. is a legal entity separate and distinct from GDH LP and derives substantially all of its income or loss from its share of GDH LP activities. Therefore, GDH Ltd. primarily relies on GDH LP to meet its obligations either through distributions or GDH LP directly paying its expenses. GDH Ltd. will generally have no ability to assure any distributions to its shareholders or cause GDH LP to make such distributions. To the extent that GDH Ltd. needs funds to pay expenses generally and GDH LP cannot pay GDH Ltd.'s expenses or does not make a distribution to GDH Ltd., the value of any investment in GDH Ltd. could decline substantially.

All risks of GDH LP are the risks of GDH Ltd. GDH Ltd. is a common equity holder in GDH LP and is not expected to benefit from any creditor-style protections.

Because GDH Ltd. is a holding company and holds no principal asset other than its equity interest in GDH LP, GDH Ltd. is exposed to all of the risks to which GDH LP is exposed. These risks include GDH LP's investment program based on risky and volatile digital asset classes, which create a material risk that holders of GDH Ltd. shares may lose their entire investment. GDH Ltd.'s equity interest in GDH LP will be the functional equivalent of common equity. This interest is not expected to carry any liquidation preference, distribution priority, priority in bankruptcy or insolvency or any other typical creditor-style protections. Accordingly, GDH Ltd.'s risk of loss, and consequently that of holders of GDH Ltd. shares, will not be mitigated by such protections.

The holding of, or trading, in GDH Ltd. shares may be, or become, illegal in certain countries or other jurisdictions.

One or more countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell or use Digital Assets. Such actions or restrictions may also result in the restriction of holding or trading in GDH Ltd. shares or cause the price of any affected digital asset to decrease, possibly substantially. Such actions or restrictions would likely materially and adversely affect the effectiveness of GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH Ltd. Shareholders are urged to consult legal advisors in their own relevant jurisdictions with respect to the current and prospective lawfulness of their purchasing, holding or selling GDH Ltd. shares.

GDH Ltd. shares are generally not permitted to be acquired by U.S. Benefit Plan Investors, which could reduce GDH Ltd. shares' liquidity. Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of GDH Ltd. shares notwithstanding and in contravention of this limitation, GDH Ltd. could be materially and adversely affected.

With such limited exceptions as may be determined by the Board, GDH Ltd. shares may not be acquired by U.S. Benefit Plan Investors. GDH Ltd.'s constating documents provide that GDH Ltd. need not recognize any purported transfer of GDH Ltd. shares to a U.S. Benefit Plan Investor and will be entitled, via an "excess share" provision, to cause any U.S. Benefit Plan Investor who acquired GDH Ltd. shares in contravention to sell or otherwise divest such GDH Ltd. shares, including to GDH Ltd. or to a trust or similar vehicle established for this purpose. Furthermore, the shares could, now or in the future, represent ineligible investments for other categories of institutional purchasers as well. In each case, these considerations may reduce the number of prospective purchasers for whom GDH Ltd. shares are an attractive investment and therefore reduce GDH Ltd. shares' value and liquidity.

Conversely, if U.S. Benefit Plan Investors were to acquire sufficient numbers of GDH Ltd. shares notwithstanding and in contravention of this limitation GDH Ltd. could be materially and adversely affected. For example, if ERISA Plans were to acquire 25% or more of GDH Ltd. shares, the assets of the Company would likely be deemed to be "plan assets" under ERISA, which would result, among other things, in the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by GDH Ltd. and the possibility that certain transactions in which GDH Ltd. might otherwise seek to engage could constitute "prohibited transactions" under ERISA and Section 4975 of the Code, subjecting GDH Ltd. to potential liability under ERISA and penalty taxes under the Code. While GDH Ltd. has instituted safeguards to prevent this result, it is possible that such safeguards could fail to be effective (or could be deemed to have failed by a relevant governmental authority).

The market price and trading volume of GDH Ltd. shares may be volatile.

The market price and trading volume of GDH Ltd. shares has been volatile and will likely continue to be subject to significant fluctuations in response to, among other factors: developments in the Digital Assets industry; market fluctuations in Digital Assets generally or changes in the underlying values and trading volumes of the Digital Assets that GDH LP holds or trades; GDH LP's financial performance and prospects or changes in the financial performance and prospects of companies engaged in businesses that are similar to GDH LP's businesses; changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to GDH LP's businesses; sales of GDH Ltd. shares by the shareholders, including GDH Ltd. shares issued upon exchange any GDH LP Units; general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events; speculation in the press or investment community regarding GDH Ltd.'s or GDH LP's business or investments, or factors or events that may directly or indirectly affect its businesses or investments; and further issuances of GDH Ltd. shares or of GDH LP Units.

In recent years, stock markets have experienced significant price and volume fluctuations, which have had a significant impact on the market price of securities issued by many companies, even seemingly without regard to the operating performance of the affected companies. Moreover, the prices of the Digital Assets that GDH LP holds or trades have historically been, and will likely continue to be, highly volatile. Accordingly, the price of GDH Ltd. shares could fluctuate based upon factors that have little or nothing to do with GDH Ltd. or GDH LP's operating performance, which could materially and adversely affect the value of any

investment in GDH Ltd. Additionally, in the absence of an active trading market, relatively small sales may result in a significant negative effect on the price of GDH Ltd. shares.

Changes in law could cause GDH Ltd. shares to be de-listed or GDH Ltd. to undergo costly restructuring, liquidation or sale.

Apart from the numerous material legal and regulatory risks to GDH LP itself, GDH Ltd. could be adversely affected by changes in law, regulation, interpretation of such law or regulation or regulator or exchange discretion. Such changes are difficult to predict but could conceivably lead to a cease-trade or the de-listing of GDH Ltd. shares, the inability to list GDH Ltd. shares in other jurisdictions or a costly restructuring or even liquidation of GDH Ltd.

GDH Ltd. may need or want to raise additional capital, but there are many reasons why it might be unable to do so, including the de-listing of GDH Ltd. shares or its inability to raise capital from investors in certain jurisdictions.

If GDH Ltd. does not successfully maintain its listing, the liquidity and market price of GDH Ltd. shares would be negatively impacted, which would make it more difficult for GDH Ltd. to sell additional GDH Ltd. shares or otherwise raise capital. Similarly, if, whether by reason of changes in law, regulation or interpretation or by reason of GDH Ltd.'s or GDH LP's conduct, GDH Ltd. became unable to sell shares to investors in particular jurisdictions, it would likewise be a significant detriment to GDH Ltd.'s ability to raise capital. Such difficulties could lead to the bankruptcy or insolvency of GDH Ltd., which would likely lead to material or complete losses for holders of GDH Ltd. shares.

Holders of GDH Ltd. shares may be subject to material dilution and downward pressure on the share price from exchanges of, or additional issuances of, GDH LP Units or from additional issuances of GDH Ltd. shares.

The significant majority of the economic interest in GDH LP is represented by GDH B Units, each of which may (subject to various conditions) be exchanged for one GDH Ltd. share. If many GDH B Units are exchanged for GDH Ltd. shares, the voting power and economic interest of then-current holders of GDH Ltd. shares will decrease proportionately (though the voting power and economic interest of GDH Ltd. in GDH LP will increase proportionately). Such exchanges would increase the market supply of GDH Ltd. shares, which could lead to a decrease in the market price of GDH Ltd. shares, especially since it is foreseeable that many exchanges may closely precede sales. Similarly, if GDH Ltd. issues additional GDH Ltd. shares or GDH LP issues additional GDH B Units, then-current holders of GDH Ltd. shares will be diluted directly or indirectly, respectively. Some such issuances beyond certain thresholds may require the approval of holders of GDH Ltd. shares, but other issuances may not.

GDH Ltd. will be required to pay former partners of GDH LP for certain tax benefits that GDH Ltd. may claim, and the amounts that GDH Ltd. may pay could be material.

GDH Ltd. has entered into a Tax Receivable Agreement with certain other GDH LP Unitholders that provides for the payment by GDH Ltd. to those GDH LP Unitholders a material percentage (for example, 85%) of the amount of cash savings, if any, in U.S. federal, state and local and foreign income tax or franchise tax that GDH Ltd. actually realizes as a result of any increase in tax basis in GDH LP's assets resulting from exchanges by those holders of GDH B Units for GDH Ltd. shares in accordance with the terms of the GDH B Units, as and when such tax benefits are realized.

The actual increase in tax basis, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges by the other GDH LP Unitholders, the price of GDH Ltd. shares at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of the taxable income that GDH Ltd. generates in the future, the tax rate then applicable and the portion of GDH Ltd.'s payments under the Tax Receivable Agreement that constitute imputed interest.

The payments that GDH Ltd. will be required to make under the Tax Receivable Agreement could be material. The payments are not conditioned upon the other GDH LP Unitholders' continued ownership of GDH Ltd. shares. Finally, because GDH Ltd. is holding company, GDH Ltd.'s ability to make payments under the Tax Receivable Agreement will be dependent on the ability of GDH LP to make distributions to GDH Ltd. If GDH Ltd. is unable to make payments under the Tax Receivable Agreement for any reason, those payments will be deferred and will accrue interest until paid.

Holders of GDH Ltd. shares will generally not benefit from protections of investment company statutes in various jurisdictions, and may suffer from the restrictions that such statutes place on the liquidity of GDH Ltd. shares and on GDH Ltd.'s fundraising, businesses or other activities.

GDH Ltd. is not an investment fund and does not in the future intend to operate as an investment fund. Nonetheless, it is possible that GDH Ltd. may effectively be classified as the equivalent of a commodity pool or an investment fund under the investment company laws of various jurisdictions, including the Commodity Exchange Act, the 1940 Act and the European Union Alternative Investment Fund Managers Directive.

GDH Ltd.'s business is designed to comply with exemptions from the application of such laws, which means that holders of GDH Ltd. shares do not and will not benefit from the investor protections provided by such laws. At the same time, GDH Ltd. may be constrained by such laws from listing GDH Ltd. shares or raising additional capital in certain jurisdictions, to the potential detriment of the value and liquidity of GDH Ltd. shares, and GDH LP may be restricted or precluded from operating in certain jurisdictions without additional financial registrations or licenses that it does not currently have.

Furthermore, if, whether by reason of changes in law, regulation or interpretation or by reason of GDH Ltd.'s or GDH LP's conduct, GDH Ltd. no longer qualified for applicable exemptions from commodity pool or investment company laws, the results could be catastrophic for GDH Ltd. and could lead to GDH Ltd.'s liquidation or sale, which would likely lead to material or complete losses for holders of GDH Ltd. shares.

GDH Ltd. and GDH LP are required to indemnify directors and certain officers or other agents against a wide range of potential liabilities. These indemnification obligations could be material.

The constating documents of GDH Ltd. and GDH LP provide for customarily broad rights of indemnification for directors as well as certain officers or other agents. The constating documents also provide for the possibility of advancement of expenses to such indemnified persons. In addition, each of GDH Ltd. and GDH LP have entered into indemnification agreements with its directors and officers. While rights of indemnification are typically viewed as a key protection and inducement for indemnified persons to serve in senior roles in which they may be exposed to liability, indemnification payments and advancement of expenses may be material and may have an adverse effect on GDH Ltd. or GDH LP. Furthermore, indemnified persons may be subject to derivative or other similar claims brought by the shareholders or GDH LP itself, which claims would generally be expected to be covered by rights of indemnification and, potentially, advancement of expenses. In certain circumstances, subject to applicable law in the relevant jurisdictions, indemnified persons may be entitled to indemnification even if their liabilities arose from their own negligence or unlawful conduct. GDH Ltd. or GDH LP has incurred, and is expected to continue to incur, significant expense to procure "D&O" insurance that both supports potential indemnification obligations of GDH Ltd. and GDH LP and, in some cases, provides indemnified persons with additional protection beyond the scope of these obligations. If GDH Ltd. or GDH LP is unable to maintain adequate insurance, there could be adverse consequences.

Holders of GDH Ltd. shares may be prevented from exercising voting power commensurate with their economic interests in GDH Ltd.

In respect of any general resolution proposed for approval by holders of GDH Ltd. shares, whether it relates to the election of directors or to any other matter, each holder will be required to certify that it is not a U.S. resident and, to the extent that it holds GDH Ltd. shares for the account or benefit of any other person, that person is not a U.S. resident. Those holders who do not so certify will still be able to vote on the resolution, but the aggregate total of the votes that those holders are entitled to cast will be limited to 49% of the total number of votes that all holders of GDH Ltd. shares are entitled to cast. This "variable voting" may cause certain holders' views to have a greater or lesser influence on the governance of GDH Ltd. than would be the case solely on the basis of percentage holdings of GDH Ltd. shares. In the extreme, if only a small number of holders of GDH Ltd. shares were to provide the certification referred to above, they would hold outsized voting power in and influence over GDH Ltd. Also, this variable voting, to the extent that it causes voting power to diverge from percentage holdings of GDH Ltd. shares, would necessarily disadvantage U.S. residents who hold GDH Ltd. shares or persons that hold beneficially GDH Ltd. shares through U.S. residents.

Risks Related to GDH LP

GDH LP has limited operating history. Its business lines are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable.

GDH LP and its subsidiaries have limited operating history on which an investor might evaluate their performance. GDH LP is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues, any of which could have a material adverse effect on GDH LP and may force it to reduce or curtail operations. There is no assurance that GDH LP will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. Even if GDH LP accomplishes these objectives, it may not generate the anticipated positive cash flows or profits. No assurance can be given that GDH LP will ever be successful in its operations and operate profitably.

Furthermore, GDH LP's business lines-even its investment businesses-are nascent, unproven and subject to material legal, regulatory, operational, reputational, tax and other risks in every jurisdiction and are not assured to be profitable. GDH LP may fail to be able to implement its investment or trading strategies, achieve its investment objectives, develop its business lines or produce a return for its investors. GDH LP has chosen to pursue a number of different businesses in this evolving industry. It is

possible that some of these businesses may be difficult to enter and/or it may become evident that a particular business is not a productive use of capital or time. This could result in GDH LP modifying its businesses and focus.

From time to time, GDH LP may also launch new lines of business, offer new products and services within existing lines of business or undertake other strategic projects. There are substantial risks and uncertainties associated with these efforts and GDH LP would invest significant capital and resources in such efforts. Regulatory requirements can affect whether initiatives are able to be brought to market in a manner that is timely and attractive to customers of GDH LP. Initial timetables for the development and introduction of new lines of business or new products or services and price and profitability targets may not be met.

Furthermore, GDH LP's revenues and costs may fluctuate because new businesses or products and services generally require startup costs while revenues may take time to develop, which may adversely impact GDH LP's results of operations. To date, GDH LP has not earned meaningful revenue, although it has flexibility to monetize assets. If GDH LP is unable to successfully manage its business while reducing expenses, its ability to continue in business could depend on the ability to raise sufficient additional capital, obtain sufficient financing and monetizing assets. The occurrence of any of the foregoing risks would have a material adverse effect on GDH LP's financial results, business and prospects.

GDH LP's businesses may require regulatory licenses and qualifications that GDH LP does not currently have and that may be costly and time-consuming to obtain and, if obtained, may subsequently be revoked.

GDH LP's businesses involve certain activities which require regulatory licenses and qualifications such as dealing, management and advisory activities. These activities are often subject to material, costly and constraining financial regulation in jurisdictions worldwide. The process of acquiring and maintaining these licenses and qualifications will be costly and time-consuming, will occupy material management attention and is not certain to be successful, given that GDH LP may not meet the requirements for such licenses or qualifications or may fail to secure discretionary approval of relevant regulatory bodies. Galaxy Digital Advisors LLC, a subsidiary of GDH LP has submitted a Continuing Membership Application ("CMA") to the Financial Industry Regulatory Authority, which is currently pending. A failure or delay in receiving approval for the CMA, or approval of the CMA that is more limited in scope than initially requested, could have a significant and negative effect not only on GDH LP's businesses in that market, but also on its reputation generally. The law and regulation surrounding the operation of financial businesses with respect to Digital Assets is also unclear, uncertain, rapidly evolving and not assured to develop in a way that is favorable to GDH LP. There is a risk that GDH LP's businesses could be outlawed in many jurisdictions around the world.

Changes in law or regulation could subject GDH LP to further material, costly and constraining regulation, registration, licensing and other requirements.

Legal or regulatory changes or interpretations of GDH LP's existing and planned activities (including those of its subsidiaries), including the mere buying and selling of Digital Assets, could require the registration or licensing of GDH LP and/or its subsidiaries in additional, costly and constraining capacities, such as a money services business under the regulations promulgated by U.S. Financial Crimes Enforcement Network under the authority of the U.S. Bank Secrecy Act or the BitLicense scheme adopted by the New York State Department of Financial Services, or pursuant to applicable laws of Canada and other jurisdictions, and would therefore require GDH LP and/or its subsidiaries to comply with applicable regulatory, licensing, examination and supervision requirements. Such additional requirements could cause GDH LP to incur extraordinary expenses, possibly materially and adversely affecting GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is highly dependent on Michael Novogratz, exposing shareholders to material and unpredictable "key man" risk.

GDH LP is highly dependent on the services of its founder, Chairman and CEO, Michael Novogratz, for conducting its businesses, implementing its investment and trading strategies and establishing and maintaining relationships with key business counterparties. If the services of Mr. Novogratz were to become unavailable for any reason including a voluntary decision by Mr. Novogratz no longer to continue with the business, it would have a material adverse effect on GDH LP's business and investment decisions, financial results and returns to shareholders.

GDH LP is controlled by Mr. Novogratz, whose interests may be different from those of shareholders.

Mr. Novogratz controls approximately 71.71% of Galaxy on a fully-exchanged basis (assuming all GDH LP B units that are award units are vested) as of December 31, 2018. Accordingly, Mr. Novogratz has the ability to substantially control GDH LP, including to elect members of the GDH GP Board. Where certain transactions, require the approval of shareholders, even though Mr. Novogratz may not be able to unilaterally authorize the transaction he may be able to unilaterally block it. This concentration of ownership and voting power may also delay, defer or prevent an acquisition by a third party or other change of control of GDH LP or GDH Ltd. and may make some transactions more difficult or impossible without the support of Mr. Novogratz even if they

are in the best interests of the shareholders. Collectively, these considerations may have a negative effect on the price of GDH Ltd. shares.

Mr. Novogratz's interests may not be fully aligned with those of shareholders, which, given Mr. Novogratz's power and influence, could lead to actions that are not in the best interests of shareholders. For example, Mr. Novogratz may have a different tax position from GDH Ltd. (and shareholders), which could influence his decisions regarding whether and when GDH LP should dispose of assets or incur new or refinance existing indebtedness. Mr. Novogratz might also be motivated to take actions to retain his controlling stake in GDH LP at the expense of maximizing the overall value of GDH LP (and therefore GDH Ltd. and GDH Ltd. shares). Mr. Novogratz's fiduciary duties and the consent rights of GDH Ltd. and the shareholders may serve as a check on any such motivation, but shareholders cannot be assured that the potential divergence of Mr. Novogratz's interests and theirs might not hurt the value of GDH Ltd. shares.

Mr. Novogratz could engage in activities outside of GDH LP or could quit GDH LP in favor of other pursuits.

Mr. Novogratz is not contractually required to continue to provide services to GDH LP. While his employment agreement contains covenants that he will not compete with GDH LP and applicable laws may prevent Mr. Novogratz from engaging in certain directly competitive activities while he is a member of the Board or the GDH GP Board, such laws will not guarantee to shareholders that Mr. Novogratz will devote his full time, attention or efforts to GDH LP. Furthermore, if Mr. Novogratz were to cease to provide services to GDH LP, he could engage in other pursuits, which might or might not relate to Digital Assets or investing, while remaining the largest and generally controlling owner of GDH LP, an outcome that might not be favorable to shareholders. Mr. Novogratz may also continue to manage significant non-Digital Assets outside of GDH LP, which may consume some of his time, attention and efforts.

Mr. Novogratz's public profile makes it more likely that GDH LP will attract material regulatory scrutiny, which would be costly and distracting regardless of whether GDH LP has engaged in any unlawful conduct.

Mr. Novogratz has been a vocal and visible proponent of Digital Assets, in some cases attracting controversy in connection with his views and statements and the regulation of Digital Assets remains unclear in many parts of the world. Together, these considerations make it foreseeable that GDH LP could attract material regulatory scrutiny driven in part by the visibility of Mr. Novogratz. Regulatory scrutiny may take the form of requests for information or responses, examinations, meetings or other types of interactions that do not proceed to any formal enforcement action, suit, fine or other formal negative sanction but that can nonetheless consume a material amount of management's time, attention and efforts, lead to material spending on legal and other advisors and cause other negative consequences.

If GDH LP is unable to successfully identify, hire and retain productive individuals, it will not be able to implement its growth strategy successfully.

GDH LP's growth strategy is based, in part, on its ability to attract and retain highly skilled senior financial services professionals. Because of competition from other firms, GDH LP may face difficulty in recruiting and retaining professionals of a caliber consistent with its business strategy. If GDH LP is unable to successfully identify qualified professionals, this failure could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP or its subsidiaries and affiliates, face substantial litigation and regulatory risks.

As an enterprise whose material business lines include financial services, GDH LP or its subsidiaries and affiliates, depend to a significant extent on its relationships with its clients and its reputation for integrity and high-caliber professional services. As a result, if a client is not satisfied with GDH LP's services or if there are allegations of improper conduct by private litigants or regulators, whether the ultimate outcome is favorable or unfavorable to GDH LP, or if there is negative publicity and press speculation about GDH LP, whether or not valid, that may harm GDH LP's reputation and may be more damaging to GDH LP's businesses than to businesses in other non-financial industries.

GDH LP or its subsidiaries and affiliates could be the subject of inquiries, investigations, lawsuits and proceedings by counterparties, clients, other third parties and regulatory and other governmental agencies in the U.S. and abroad, which could lead to increased expenses or reputational damage. Responding to inquiries, investigations, lawsuits and proceedings, regardless of the ultimate outcome of the matter, is time-consuming and expensive and can divert the attention of senior management. The outcome of such proceedings may be difficult to predict or estimate until late in the proceedings, which may last a number of years.

Certain GDH LP subsidiaries are subject to periodic examination by regulatory authorities. If compliance failures or other violations are found during an examination, a regulatory agency could initiate actions and impose sanctions for violations,

including, for example, regulatory agreements, cease and desist orders, civil monetary penalties or termination of a license and could lead to litigation by investors or clients, any of which could adversely impact GDH LP.

If GDH LP and/or any governmental agency believe that it has accepted capital contributions by, or is otherwise holding assets of, any person or entity that is acting directly or indirectly, in violation of U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, suspected drug trafficker or senior foreign political figure(s) suspected in engaging in foreign corruption, GDH LP and/or such governmental agency may “freeze the assets” of such person or entity. GDH LP may also be required to report and remit or transfer those assets to a governmental agency.

As a publicly listed company, GDH Ltd., is also subject to the risk of claims under the securities laws. Volatility in the stock price of GDH Ltd. increases this risk.

GDH LP’s use of technology, proprietary and non-proprietary software, data and intellectual property may be subject to substantial risk.

GDH LP relies heavily on the use of technology, proprietary and non-proprietary software, data and intellectual property of GDH LP and third parties in the digital asset sector. The reliance on this technology and data is subject to a number of important risks. Much of the existing technology for the financial services businesses was not built to service Digital Assets, which require a unique set of considerations. GDH LP is working with numerous service providers to help develop technology to service the industry. If these platforms and technology solutions do not work as planned, or do not meet the level of quality required by GDH LP, it may make transacting business less efficient, more expensive and potentially prone to errors.

The operation of any element of the Digital Assets network or any other electronic platform may be severely and adversely affected by the malfunction of its technology and the technology of third parties. For example, an unforeseen software or hardware malfunction could occur as a result of a virus or other outside force, or as result of a design flaw in the design and operation of the network or platform. Furthermore, if GDH LP’s software, hardware, data or other intellectual property is found to infringe on the rights of, or GDH LP’s rights therein are found to be infringed upon by, any third party, the underlying value of the assets of GDH LP could be materially and adversely affected.

Third parties with which GDH LP does business or that facilitate GDH LP’s business activities, including exchanges, financial intermediaries or vendors that provide services or security solutions for GDH LP’s operations, could also be sources of technology risk to GDH LP, including from breakdowns or failures of their own systems or capacity constraints or other services that impair GDH LP’s ability to process transactions and communicate with customers and counterparties. In addition, GDH LP is exposed to the risk that a technology disruption or other information security event at a vendor to GDH LP’s third-party service providers could impede their ability to provide products or services to GDH LP. GDH LP may not be able to effectively monitor or mitigate operational risks relating to the use of vendors by third-party service providers.

GDH LP’s businesses rely on third-party service providers.

GDH LP’s operations could be interrupted if GDH LP’s third-party service providers experience operational or other systems difficulties, terminate their services or fail to comply with regulations. GDH LP outsources some of its operational activities and accordingly depend on relationships with many third-party service providers. Specifically, GDH LP relies on third parties for certain services, including, but not limited to, legal, accounting, financial operations, trade related activity, IT infrastructure and systems, trade reconciliation, and margin and collateral movement. GDH LP’s business depends on the successful and uninterrupted functioning of GDH LP’s information technology and telecommunications systems and third-party service providers. The failure of these systems, a cybersecurity breach involving any of GDH LP’s third-party service providers or the termination or change in terms of a third-party software license or service agreement on which any of these systems is based could interrupt GDH LP’s operations. Because GDH LP’s information technology and telecommunications systems interface with and depend on third-party systems, GDH LP could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. Replacing vendors or addressing other issues with GDH LP’s third-party service providers could entail significant delay, expense and disruption of service. As a result, if these third-party service providers experience difficulties, are subject to cybersecurity breaches, or terminate their services, and GDH LP is unable to replace them with other service providers, particularly on a timely basis, GDH LP’s operations could be interrupted. If an interruption were to continue for a significant period, GDH LP’s business, financial condition and results of operations could be adversely affected. Even if GDH LP can replace third-party service providers, it may be at a higher cost to GDH LP, which could adversely affect GDH LP’s business, financial condition and results of operations.

Cybersecurity incidents and other systems and technology problems may materially and adversely affect GDH LP.

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The digital asset industry is a particular target for cybersecurity incidents, which may occur through intentional or unintentional acts by individuals or groups having authorized or unauthorized access to GDH LP's systems or GDH LP's clients' or counterparties' information, which may include confidential information. These individuals or groups include employees, vendors and customers, as well as hackers. The information and technology systems used by GDH LP and its service providers are vulnerable to damage or interruption from, among other things: hacking, ransomware, malware and other computer viruses; denial of service attacks; network failures; computer and telecommunication failures; phishing attacks; infiltration by unauthorized persons; security breaches; usage errors by their respective professionals; power outages; terrorism; and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. GDH LP has experienced cybersecurity incidents, none of which have been material. While GDH LP will deploy a range of defenses, it is possible GDH LP could suffer an impact or disruption that could materially and adversely affect GDH LP. The security of the information and technology systems used by GDH LP and its service providers may continue to be subjected to cybersecurity threats that could result in material failures or disruptions in its business. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, GDH LP or a service provider may have to make a significant investment to fix or replace them. The failure of these systems or of disaster recovery plans for any reason could cause significant interruptions in operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to shareholders (and the beneficial owners of shareholders). Such a failure could harm GDH LP's reputation, subject it to legal claims and otherwise materially and adversely affect GDH LP's investment and trading strategies and the value of GDH LP (and therefore GDH Ltd.).

Force majeure events may materially and adversely affect the business continuity of GDH LP.

GDH LP may be affected by events beyond its control, including acts of nature, fires, floods, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism and labor strikes. Some such events may adversely affect the ability of GDH LP or a counterparty to GDH LP to perform its obligations. In addition, the cost to GDH LP of repairing or replacing damaged reputation or assets as a result of such an event could be considerable. Certain events such as war or an outbreak of an infectious disease could have a broader negative impact on the world economy and international business activity generally, or in any location in which GDH LP may invest or conduct its business specifically.

Operational risk may materially and adversely affect GDH LP's performance and results.

Operational risk is the risk of an adverse outcome resulting from inadequate or failed internal processes, people, systems or from external events. GDH LP's exposure to operational risk arises from routine processing errors, as well as extraordinary incidents, such as major systems failures or legal and regulatory matters. Because GDH LP operates trading, lending, investment and other businesses that are reliant on both technology and human expertise and execution, GDH LP is exposed to material operational risk arising from a number of factors, including, but not limited to, human error, processing and communication errors, errors of GDH LP's service providers, counterparties or other third parties, failed or inadequate processes and technology or system failures. Operational errors or significant operational delays could materially negatively impact GDH LP's ability to conduct its business or service its clients, which could adversely affect results of operations due to potentially higher expenses and lower revenues, create liability for GDH LP or its clients or negatively impact its reputation. Recurring operational issues may raise concerns among regulators regarding our governance and control environment.

GDH LP may not be effective in mitigating risk.

GDH LP seeks to mitigate risk and has established policies and procedures to provide a sound operational environment for the types of risk to which it is subject, including operational risk, credit risk, market risk and liquidity risk. However, as with any risk management framework, there are inherent limitations to GDH LP's current and future risk management strategies, including risks that it has not appropriately anticipated or identified. Accurate and timely enterprise-wide risk information is necessary to enhance management's decision-making in times of crisis. If GDH LP's risk management framework proves ineffective or if GDH LP's enterprise-wide management information is incomplete or inaccurate, it could suffer unexpected losses, which could materially adversely affect its results of operations or financial condition.

Managing different business lines could present conflicts of interest.

GDH LP is building a full service, institutional-quality merchant banking business through its business lines: trading, principal investing, asset management, lending and advisory services. Subject to applicable regulatory approvals, GDH LP may also launch additional business lines from time to time. There are certain inherent and potential conflicts of interest in managing different business lines. Due to the broad scope of GDH LP's businesses, potential conflicts of interest include situations where its services to a particular client or GDH LP's own investments or other interests conflict, or are perceived to conflict, with the interests of

another client, as well as situations where one or more of GDH LP's businesses have access to material non-public information that may not be shared with its other businesses and situations where GDH LP may be an investor or creditor of an entity with which it also has an advisory or other relationship. For example, GDH LP subsidiaries may provide corporate advisory services to companies that are also investee companies of GD Ventures or Asset Management. Furthermore, the allocation of investment opportunities among funds and GDH LP could also present a conflict of interest. In managing these different conflicts, fiduciary duty obligations may require GDH LP to resolve conflicts in favor of clients over the firm or other third parties. Employees and executives may also have conflicts of interest in allocating their time and activity between the businesses. GDH LP manages conflicts of interest through a number of ways including with a conflicts committee. However, appropriately identifying and dealing with conflicts of interest is complex and difficult, and GDH LP's reputation could be damaged and the willingness of clients to enter into transactions with GDH LP may be affected if GDH LP fails, or appears to fail, to identify, disclose and deal appropriately with conflicts of interest. In addition, potential or perceived conflicts could give rise to litigation or regulatory enforcement actions. A failure to appropriately identify and address potential conflicts of interest could adversely affect GDH LP's businesses.

GDH LP incurs increased costs as a result of supporting GDH Ltd. and funding the requirements applicable to GDH Ltd. as a public company.

GDH Ltd. incurs significant levels of legal, accounting and other expenses in respect of its status as a publicly listed company. Canadian Securities Law, together with the listing requirements of the exchanges (or any other stock exchange on which GDH Ltd. shares may be listed on in the future), impose significant requirements relating to disclosure controls and procedures and internal control over financial reporting. GDH LP incurs significant costs as a result of compliance with these public company requirements at both GDH Ltd. and GDH LP levels, which require additional resources and make some activities more time-consuming. GDH LP may experience higher-than-anticipated operating expenses as well as higher independent auditor and consulting fees and may need to hire additional qualified personnel to continue to satisfy these public-company requirements. GDH LP is required to expend considerable time and resources with respect to GDH Ltd.'s compliance with public company regulations. If GDH Ltd. or GDH LP is unable to satisfy GDH Ltd.'s obligations as a public company, GDH Ltd. could be subject to de-listing of GDH Ltd. shares, fines, sanctions or other detrimental regulatory actions.

GDH LP could be victim of employee misconduct.

In recent years, there have been a number of highly publicized cases involving fraud, conflicts of interest, or other misconduct by individuals in the financial services industry, and there is a risk that an employee of or contractor to GDH LP or any of its affiliates could engage in misconduct that adversely affects its business and results. It is not always possible to deter such misconduct, and the precautions GDH LP takes to detect and prevent such misconduct may not be effective in all cases. Misconduct by an employee of or contractor to GDH LP or any of its affiliates, or even unsubstantiated allegations of such misconduct, could result in both direct financial harm to those entities and GDH Ltd.

Risks Related to GDH LP's Lines of Business

Changes in the value levels of the assets may cause GDH LP's assets under management ("AUM"), revenue and earnings to decline.

GDH LP asset management business, which is conducted through one or more subsidiaries, is primarily comprised of fees based on a percentage of the value of AUM and, in some cases, performance fees which are normally expressed as a percentage of returns to the client. Numerous factors, including price movements in the assets in the markets in which GDH LP manages assets, could cause:

- the value of AUM, or the returns that GDH LP realizes on AUM, to decrease;
- the withdrawal of funds from any products offered by GDH LP in favor of products offered by competitors; or
- a decrease in the value of seed or co-investment capital or a decrease in the amount of such capital available to invest.

The occurrence of any of these events may cause GDH LP's AUM, revenue and earnings, if any, to decline and may negatively impact the success of GDH LP's asset management business.

The asset management business is highly regulated and regulators may apply or interpret these regulations with respect to Digital Assets in novel and unexpected ways.

Asset management is a highly regulated business subject to numerous legal and regulatory requirements. These regulations are intended to protect customers whose assets are under management and, as such, may limit GDH LP's ability to develop, expand or carry out its asset management business in the intended manner. GDH LP is guided in significant part by regulatory regimes that are not clear or are not yet developed. To the extent that there is any ambiguity as to whether an asset under management is

a security, the applicability of many regulations to GDH LP's asset management business will not be clear. Furthermore, GDH LP must address conflicts of interest, as well as the perception of conflicts of interest, between itself (including the other business lines of GDH LP) and its clients and funds. In particular, GDH LP will be required to act in the best interest of its clients and funds, which may include allocating opportunities to its clients and funds rather than to its own principal business lines. In addition, the regulators have substantial discretion in determining what is in the best interest of a client of a fund and have increased their scrutiny of potential conflicts. Appropriately dealing with conflicts of interest is complex and if GDH LP fails, or appears to fail, to deal appropriately with any of these conflicts of interest, it may face reputational damage, litigation, regulatory proceedings, or penalties, fines or sanctions, any of which may have a material and negative impact on GDH LP's asset management business. In addition, to the extent that GDH LP is required to obtain client or investor consent in connection with any potential conflict, any failure or delay in obtaining such consent may have a material and negative impact on GDH LP's ability to take advantage of certain business opportunities.

Increased competition may cause GDH LP's AUM, revenue and earnings to decline.

The asset management industry is highly competitive and has relatively low barriers to entry. GDH LP currently expects that, as Digital Assets become more mainstream, additional competitors, potentially in large numbers, may begin providing asset management services with respect to Digital Assets. GDH LP competes based on a number of factors including: investment performance, the level of fees charged, the quality and diversity of services and products provided, name recognition and reputation, and the ability to develop new investment strategies and products to meet the changing needs of investors. In addition, the introduction of new technologies, as well as regulatory changes, may significantly alter the competitive landscape for investment managers in Digital Assets. This could lead to fee compression or require GDH LP to spend more to modify or adapt its product offerings to attract and retain customers and remain competitive with products and services offered by new competitors in the industry. Increased competition on the basis of any of these factors, including competition leading to fee reductions, or may cause our AUM, revenue and earnings to decline. Any of these could materially and negatively impact the success of GDH LP's asset management business.

The success of GDH LP's advisory services business will depend on generating and maintaining ongoing, profitable client demand for its services and solutions, and the failure of that demand to materialize or any future significant reduction in such demand or an inability to respond to the evolving technological environment could materially negatively affect GDH LP's advisory services business.

The success of GDH LP's advisory services business, which is conducted through one or more subsidiaries, depends on creating and maintaining a demand for its services and solutions with favorable margins. The ability to realize or maintain this demand could be negatively affected by numerous factors, many of which will be beyond the control of GDH LP and unrelated to its future work product.

Developments in the digital asset industry, which are expected to be rapid, could shift demand to new services and solutions. If, as a result of new technologies or changes in the industries the GDH LP serves, or clients demand new services that GDH LP does not or is unable to provide, GDH LP may be less competitive in these new areas or need to make significant investment to meet that demand. GDH LP's strategy for developing its advisory business focuses on responding to these types of developments by driving innovation that will enable GDH LP to expand its advisory business into new growth areas. If GDH LP does not sufficiently invest in new technology and adapt to industry developments or evolve and expand our business at sufficient speed and scale, the success or even the viability of GDH LP's advisory services business would be negatively affected.

GDH LP may become involved in advisory projects that are not directly related to the digital asset or blockchain industry. These projects are likely to relate to industries and clients that GDH LP believes will benefit in the future from blockchain technology and GDH LP's experience and network in Digital Assets industry.

The success of GDH LP's advisory services business could materially suffer if it is unable to obtain favorable pricing for services and solutions or if GDH LP is unable to remain competitive.

The success of GDH LP's advisory services business may be significantly affected by its ability to price its advisory services properly. If GDH LP is not able to obtain favorable pricing for its advisory services and solutions, the success of GDH LP's advisory services business may materially suffer. The rates GDH LP charges for its services and solutions may be affected by a number of factors, including:

- general economic and political conditions;
- the competitive environment in our industry; and
- the procurement practices of clients and their use of third-party advisors.

GDH LP believes that currently there are limited persons providing the digital asset advisory services that GDH LP provides. However, the barrier to entry is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's advisory services business could suffer if it is not able to remain competitive. The less GDH LP is able to differentiate its services and solutions or clearly convey the value of its services and solutions, the more risk that GDH LP will have in winning new work in sufficient volumes and at target pricing, which could materially negatively impact the success or viability of GDH LP's advisory services business. In addition, the introduction of new services or products by competitors could reduce GDH LP's ability to obtain favorable pricing and impact the overall economics for the services or solutions offered.

GDH LP's co-investments with third parties may be subject to substantial risk.

GDH LP may co-invest with third parties, including parties related to Mr. Novogratz, through joint ventures or other entities. Such investments may include risks in connection with such third-party involvement, including the possibility that a third-party co-venturer may have financial difficulties, may have interests or goals that are inconsistent with those of GDH LP or may be in a position to take action in a manner contrary to GDH LP's investment objectives.

GDH LP is subject to risks in connection with its lending business.

GDH LP and its subsidiaries have loaned money to other companies as part of its principal investment business. The return of principal of the GDH LP's loans will depend in large part on the creditworthiness and financial strength of the issuers of such loans. While GDH LP performs extensive due diligence on its investments, nonetheless defaults are possible. In the event of a default by a borrower underlying an investment, GDH LP might not receive payments to which it is entitled and thereby could experience a decline in the value of its investments in the borrower. In the case of loans that are secured by collateral, while GDH LP generally expects the value of the collateral to be greater than the value of such loans, the value of the collateral could actually be equal to or less than the value of such loans or could decline below the outstanding amount of such loans subsequent to the investment. This risk is heightened given the fact that some portion of the collateral for these loans is expected to be Digital Assets, and thus subject to the volatility, liquidity and other risks detailed herein. The ability of GDH LP to have access to the collateral could be limited by bankruptcy and other insolvency laws. Under certain circumstances, the collateral could be released with the consent of the lenders or pursuant to the terms of the underlying loan agreement with the borrower. There is no assurance that the liquidation of the collateral securing a loan would satisfy the borrower's obligation in the event of non-payment of scheduled interest or principal, or that the collateral could be readily liquidated. As a result, GDH LP might not receive full payment on a secured loan investment to which it is entitled and thereby could experience a decline in the value of, or a loss on, the investment.

Other Risks Related to Digital Assets

The continuing development and acceptance of Digital Assets and distributed ledger technology are subject to a variety of risks.

Cryptocurrencies, such as bitcoin, and the other types of Digital Assets in which GDH LP invests and trades involve a new and rapidly evolving industry of which blockchain technology is a prominent, but not unique, part. The growth of the digital asset industry in general, and distributed ledger technology that supports Digital Assets, is subject to a high degree of uncertainty. The factors affecting the further development of the Digital Asset industry, as well as distributed ledger technology, include: continued worldwide growth in the adoption and use of Digital Assets; government and quasi-government regulation of Digital Assets and their use, or restrictions on or regulation of access to and operation of applicable distributed ledger technology or systems that facilitate their issuance and secondary trading; the maintenance and development of the open-source software protocol of certain blockchain networks used to support Digital Assets; advancements in technology, including computing power, that may render existing distributed ledger technology obsolete or too slow; the use of the networks supporting Digital Assets for developing smart contracts and distributed applications; changes in consumer demographics and public tastes and preferences; the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using fiat currencies; and general economic conditions and the regulatory environment relating to Digital Assets.

A decline in the adoption and use of Digital Assets would materially and adversely affect the performance of GDH LP.

Because Digital Assets are a new asset class and represent a technological innovation, they are subject to a high degree of uncertainty. The adoption of Digital Assets will require growth in usage and in the blockchain for various applications. Adoption of Digital Assets will also require greater regulatory clarity. A lack of expansion in use of Digital Assets and blockchain technologies would adversely affect the financial performance of GDH LP. In addition, there is no assurance that Digital Assets generally will maintain their value over the long term. The value of Digital Assets is subject to risks related to its use. Even if growth in the use of Digital Assets generally occurs in the near or medium term, there is no assurance that such use will continue to grow over the long term. A contraction in use of Digital Assets generally may result in increased volatility or a reduction in

prices, which would materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP.

The prices of Digital Assets are extraordinarily volatile.

Values of Digital Assets have historically been highly volatile. For instance, during the period from December 17, 2017 to December 16, 2018, Bitcoin experienced a decline of roughly 84%. Other cryptocurrencies have behaved similarly and could decline rapidly, including to zero. A decline in Digital Assets that GDH LP holds would negatively impact its financial position. A significant portion of demand for Digital Assets is generated by speculators and investors seeking to profit from the short- or long-term holding of these assets. Speculation regarding future appreciation in the value of a digital asset may inflate and make more volatile the price of that digital asset.

Several factors may affect the price of Digital Assets, particularly cryptocurrencies, including, but not limited to: supply and demand, investors' expectations with respect to the rate of inflation, interest rates, currency exchange rates or future regulatory measures (if any) that restrict the trading of cryptocurrencies or the use of cryptocurrencies as a form of payment. There is no assurance that cryptocurrencies will maintain their long-term value in terms of purchasing power in the future, or that acceptance of cryptocurrency payments by mainstream retail merchants and commercial businesses will continue to grow. Only a limited number of cryptocurrencies, including bitcoin, have recently become sometimes accepted as a means of payment for some goods and services, and use of cryptocurrencies by consumers to pay at retail and commercial outlets remains very limited. In part, this is because cryptocurrencies face significant scaling obstacles that can lead to high fees or slow transaction settlement times, and attempts to increase the volume of transactions may not be effective. A lack of expansion by cryptocurrencies into retail and commercial markets, or a contraction of such limited use as has developed to date, may result in increased volatility or a reduction in the value of that cryptocurrency or cryptocurrencies generally, either of which could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Political or economic crises may motivate large-scale sales of Digital Assets, which would result in a reduction in values and materially and adversely affect GDH LP.

As an alternative to fiat currencies that are backed by central governments, cryptocurrencies, which are relatively new, are subject to supply and demand forces based upon the desirability of an alternative, decentralized means of buying and selling goods and services, and it is unclear how such supply and demand will be impacted by geopolitical events. For example, political or economic crises could motivate large-scale acquisitions or sales of Digital Assets either globally, regionally or locally. Large-scale sales of certain Digital Assets would result in a reduction in their value and could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of GDH LP (and therefore in GDH Ltd.).

The regulation of Digital Assets continues to evolve in every jurisdiction, and regulatory changes or actions may restrict the use of Digital Assets, the operation of distributed ledger technologies that support such Digital Assets and platforms that facilitate the trading of such assets.

As Digital Assets have grown in popularity and in market size, governments, regulators and self-regulators (including law enforcement and national security agencies) around the world are examining the operations of digital asset issuers, users and platforms. To the extent that any Canadian, U.S. or other government or quasi-governmental agency exerts regulatory authority over the digital asset industry in general, the issuance of Digital Assets, and trading and ownership of and transactions involving the purchase and sale or pledge of such assets, may be adversely affected, which could adversely affect GDH LP's businesses and investments. The effect of any future regulatory change on digital asset issuers and participants in general is impossible to predict, but such change could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

The legal status of Digital Assets varies substantially from jurisdiction to jurisdiction and is still undefined and changing in many of them. Likewise, various government agencies, departments, and courts have classified and continue to classify Digital Assets differently. Changes in laws, regulations, policies and practices could have an adverse effect on GDH LP, its strategies, business and investments. For example, regulatory agencies could shut down or restrict the use of platforms or exchanges using Digital Assets or otherwise limit the use of Digital Assets. This, and any other changes in laws, regulations, policies and practices, could lead to a loss of any investment made by or in GDH LP, and in turn in the Company, and may trigger regulatory action by securities or other regulators.

Furthermore, various jurisdictions may, in the near future, adopt laws, regulations or directives that affect Digital Assets, the related markets and exchanges and the ability to use, trade and hold Digital Assets. Such laws, regulations or directives may conflict with one another and may negatively affect the acceptance of Digital Assets by users, merchants and service providers and may therefore impede the growth or sustainability of the bitcoin economy in Canada, the United States, the European Union, China, Japan, Russia or other locations and globally, or otherwise negatively affect the value of Digital Assets. Although there

continues to be uncertainty about the full impact of these and other regulatory changes, GDH LP may become subject to a more complex regulatory framework in the near future and incur additional costs to comply with new requirements as well as to monitor for compliance with any new requirements in the future.

There are material risks and uncertainties associated with custodians of Digital Assets.

GDH LP uses custodians, exchanges and third-party wallet providers to hold its Digital Assets. Such parties may or may not be subject to regulation by U.S. state or federal or non-U.S. governmental agencies or other regulatory or self-regulatory organizations. While not currently anticipated, GDH LP could have a high concentration of its Digital Assets in one location or with one custodian, exchange or wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware or cyberattacks. Certain custodians, exchanges or third-party wallet providers may not indemnify GDH LP against any losses of Digital Assets. Digital Assets held by certain custodians, exchanges or third-party wallet providers may be transferred into “cold storage” or “deep storage,” in which case there could be a delay in retrieving such Digital Assets.

GDH LP may also incur costs related to the third-party custody and storage of its Digital Assets. Any security breach, incurred cost or loss of Digital Assets associated with the use of a custodian could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Galaxy Digital Capital Management may be required to register as an investment adviser under the Advisers Act. Among other requirements, the Advisers Act mandates that if a registered adviser has custody of client funds and securities, it must maintain them with a “qualified custodian.” Given the characteristics of Digital Assets and the relative immaturity of the asset class, there are limited numbers of “qualified custodians” available at this time (if any). Difficulties in finding a “qualified custodian” could have a material adverse effect on the asset management business, including potentially causing it to liquidate a substantial portion of its portfolio. There is also a risk that the SEC determines that certain custodians used are not, regardless of their representations to the contrary, “qualified custodians”, which would potentially require the asset management group to move certain Digital Assets and/or subject it to regulatory action. The uncertainty and potential difficulties associated with this question and related questions could materially and adversely affect GDH LP’s asset management business.

The loss or destruction of a private key required to access certain cryptocurrencies or Digital Assets may be irreversible. GDH LP’s loss of access to its private keys or its experience of a data loss relating to its cryptocurrency or digital asset investments could adversely affect GDH LP.

Cryptocurrencies are controllable only by the possessor of the private key or keys relating to the “digital wallet” in which the currency is held. Private keys must be safeguarded and kept private in order to prevent a third party from accessing the cryptocurrencies while held in such wallet. To the extent a private key is lost, destroyed or otherwise compromised and no backup of the private key is accessible, GDH LP will be unable to access the cryptocurrencies held in the related digital wallet. Any loss of private keys relating to digital wallets used to store GDH LP or its affiliates cryptocurrencies could adversely affect its business and financial position.

Any loss of private keys relating to digital wallets used to store GDH LP’s cryptocurrencies and Digital Assets could materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). If GDH LP’s cryptocurrency or other Digital Assets are lost, stolen or destroyed under circumstances rendering a party liable to GDH LP, the responsible party may not have the financial resources sufficient to satisfy GDH LP’s claims, which could lead to a material adverse effect on GDH LP.

The need to adopt technology in response to changing security threats poses a challenge to the safekeeping of GDH LP’s digital asset holdings.

Holders of Digital Assets must adapt to technological change to secure and safeguard accounts. As technological change occurs, the security threats to GDH LP’s digital asset holdings will likely adapt, and previously unknown threats may emerge. Furthermore, GDH LP may become a greater target of security threats as GDH LP’s size and reputation increases. If GDH LP is unable to identify and mitigate or stop new security threats, GDH LP’s assets may be subject to theft, loss, destruction or other attack, which could result in a loss of GDH LP’s assets or materially and adversely affect GDH LP’s investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

The unregulated nature and lack of transparency surrounding the operations of some digital asset exchanges may cause the marketplace to lose confidence in such exchanges.

Digital asset exchanges on which Digital Assets trade are relatively new and, in some cases, unregulated. Furthermore, while some exchanges provide information regarding their ownership structure, management teams, corporate practices and regulatory compliance, many other exchanges do not. As a result, the marketplace may lose confidence in the less transparent or unregulated exchanges, including prominent exchanges that handle a significant volume of trading in these assets. In recent years, there have

been a number of digital asset exchanges that have closed because of fraud, business failure or security breaches. Additionally, larger digital asset exchanges have been targets for hackers and malware and may be targets of regulatory enforcement actions. A lack of stability in these exchange markets and the temporary or permanent closure of such exchanges may reduce confidence in the digital asset marketplace in general and result in greater volatility in the price of Digital Assets. These potential consequences could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP.

Short sales of Digital Assets may be especially risky.

GDH LP may make short sales of Digital Assets. In such a short sale, GDH LP would sell Digital Assets that it does not own, typically borrowed from a third party. Borrowing and lending markets for Digital Assets are currently limited and are unlikely to become as developed and stable as those for securities or other established assets in the near term, if ever, which exposes GDH LP to risks.

Because GDH LP would remain liable to return any Digital Assets that it borrowed, GDH LP would be required to purchase an equivalent amount of Digital Assets prior to the date on which delivery to the third party is required. GDH LP will incur a loss as a result of a short sale if the price of the Digital Assets increases between the date of the short sale and the date on which GDH LP replaces the borrowed Digital Assets. The amount of any loss will be increased by the amount of the premium or interest that GDH LP may be required to pay in connection with a short sale. Short selling exposes GDH LP to unlimited risk with respect to the borrowed Digital Assets because of the lack of an upper limit on the prices to which those Digital Assets can rise. Purchasing Digital Assets to close out a short position can itself cause the price of the Digital Assets to rise further, thereby exacerbating any losses. Under adverse market conditions, GDH LP may have difficulty purchasing Digital Assets to meet its short sale delivery obligations, and may have to sell other Digital Assets to raise the necessary capital at a time when it would be unfavorable to do so. If a request for return of borrowed assets occurs at a time when other short sellers are receiving similar requests, a "short squeeze" can occur, and GDH LP may be compelled to replace borrowed Digital Assets previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the assets short. In addition, GDH LP may have difficulty purchasing assets to meet its delivery obligations if the assets sold short by GDH LP have a limited daily trading volume or limited market capitalization. Short sales by GDH LP and "short" derivative positions are forms of investment leverage, and the amount of GDH LP's potential loss is theoretically unlimited.

Lending of Digital Assets may be especially risky.

GDH LP may lend Digital Assets to third parties, including affiliates. On termination of the loan, the borrower is required to return the Digital Assets to GDH LP; any gains or loss in the market price during the loan would inure to GDH LP. In the event of the bankruptcy of the borrower, GDH LP could experience delays in recovering its Digital Assets. In addition, to the extent that the value of the Digital Assets increases during the term of the loan, the value of the Digital Assets may exceed the value of collateral provided to GDH LP, exposing GDH LP to credit risks with respect to the borrower and potentially exposing GDH LP to a loss of the difference between the value of the Digital Assets and the value of the collateral. If a borrower defaults under its obligations with respect to a loan of Digital Assets, including by failing to deliver additional collateral when required or by failing to return the Digital Assets upon the termination of the loan, GDH LP may expend significant resources and incur significant expenses in connection with efforts to enforce the loan agreement, which may ultimately be unsuccessful. In addition, there is significant operational infrastructure required to scale the borrowing and lending of Digital Assets. The failure to appropriately implement the infrastructure related to the lending business could lead to operational risk and have a material adverse effect on GDH LP.

Blockchain networks, Digital Assets and the exchanges on which these assets are traded are dependent on internet infrastructure and susceptible to system failures, security risks and rapid technological change.

The success of cryptocurrency-based blockchain and other digital asset platforms will depend on the continued development of a stable public infrastructure, with the necessary speed, data capacity and security, and the timely development of complementary products such as high-speed modems for providing reliable internet access and services. Digital Assets have experienced, and are expected to continue to experience, significant growth in the number of users and amount of content. There is no assurance that the relevant digital asset infrastructure will continue to be able to support the demands placed on it by this continued growth or that the performance or reliability of the technology will not be adversely affected by this continued growth. There is also no assurance that the infrastructure or complementary products or services necessary to make Digital Assets a viable product for their intended use will be developed in a timely manner, or that such development will not result in the requirement of incurring substantial costs to adapt to changing technologies. The failure of these technologies or platforms or their development could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP. Cryptocurrencies are created, issued, transmitted, and stored according to protocols run by computers in the cryptocurrency network. It is possible these protocols have undiscovered flaws or could be subject to network scale attacks which

could result in losses to GDH LP. Advancements in quantum computing could break the cryptographic rules of protocols which support certain GDH LP assets.

Malicious actors could manipulate the blockchain networks and smart contract technology upon which Digital Assets rely and increase the vulnerability of the blockchain networks.

If a malicious actor, including a state-sponsored actor, is able to hack or otherwise exert unilateral control over a particular blockchain network, or the Digital Assets on such a network, that actor could attempt to divert assets from that blockchain or otherwise prevent the confirmation of transactions recorded in that digital asset on that blockchain. Such an event could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). Digital Assets have been the subject of attempted manipulation by hackers to use them for malicious purposes. For example, misuses could occur if a malicious actor obtains a majority of the processing power controlling the cryptocurrency validating activities and altering the blockchain on which cryptocurrency transactions rely. Moreover, if the award for solving transaction blocks for a particular digital asset declines, and transaction fees are not sufficiently high, the incentive to continue validating blockchain transactions would decrease and could lead to a stoppage of validation activities. The collective processing power of that blockchain network would be reduced, which would adversely affect the confirmation process for transactions by decreasing the speed of the adaptation and adjustment in the difficulty for transaction block solutions. Such slower adjustments would make the blockchain network more vulnerable to malicious actors' obtaining control of the blockchain network processing power.

The network contributors for certain Digital Assets could propose amendments to the network protocols and software for these Digital Assets that, if accepted and authorized by the network for these Digital Assets, could adversely affect an investment in GDH LP or GDH Ltd.

The networks for certain Digital Assets are based on a protocol governing the peer-to-peer interactions between computers connected to each other within that network. The development team for a network (if any) might propose and implement amendments to a network's source code through software upgrades altering the original protocol, including fundamental ideas such as the irreversibility of transactions and limitations on the validation of blockchain software distributed ledgers. Such changes to original protocols and software could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Intellectual property rights claims may adversely affect the operation of portfolio companies and digital asset networks.

Third parties may assert intellectual property claims relating to portfolio companies or digital asset networks and their source code. Regardless of the merit of any claim, any threatened action that reduces confidence in portfolio companies or digital asset networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.). Additionally, a meritorious intellectual property claim could lead to a loss of value in the impacted portfolio company or prevent GDH LP or other end users from accessing a specific blockchain network or holding or transferring their Digital Assets, which could force the liquidation of certain Digital Assets in which GDH LP has an interest or cause the value of such Digital Assets to decline significantly. As a result, an intellectual property claim against a portfolio company or large participants on certain blockchain networks could materially and adversely affect GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Banks or other third-party services providers may decline to provide services to companies engaged in digital asset-related businesses, including GDH LP.

A number of companies that provide digital asset-related services have been unable to find banks that are willing to provide them with bank accounts and banking services. Similarly, a number of such companies have had their existing bank accounts closed by their banks. Banks may refuse to provide bank accounts and other banking services to digital asset-related companies, including GDH LP, for a number of reasons, such as perceived compliance risks or costs. GDH LP's inability to procure or keep banking services would have a material and adverse effect on GDH LP. Similarly, continued general banking difficulties may decrease the utility or value of Digital Assets or harm public perception of those assets. In addition to banks, other third-party service providers including accountants, lawyers and insurance providers may also decline to provide services to companies engaged in digital asset-related businesses because of the perceived risk profile associated with such businesses or the lack of regulatory certainty. The failure of digital asset-related businesses to be banked or obtain services could materially and adversely affect GDH LP's businesses, investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

Other Risks Related to Trading, Investments and Assets

Investments in initial coin offerings have declined and have been, and continue to be, subject to regulatory challenges.

While GDH LP's business is not focused on servicing "initial coin offerings" or ICOs, nonetheless GDH LP continues to hold initial coin offerings as investments. Initial coin offerings generally have been, and continue to be, subject to regulatory challenges. U.S. regulators, including the SEC, have repeatedly and publicly voiced significant concerns about ICOs, suggesting that many ICOs have been fraudulent and that many ICOs in the United States may have been conducted in violation of the Securities Act of 1933 (the "U.S. Securities Act") and U.S. state securities laws. There have been a number of high-profile enforcement actions by the SEC against individuals, companies and exchanges involved in ICOs. The Chairman of the SEC has also suggested that structuring or advising on ICOs may generally require broker-dealer registration under the Securities Exchange Act of 1934 (the "1934 Act"), which would also subject the party doing the structuring or advising to various theories of liability (for example, underwriter liability) under various securities laws. These actions have had a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally. ICOs have also been outlawed in some countries and could be outlawed in other jurisdictions in the future. China and South Korea are prominent examples of countries that have effectively banned ICOs. If other jurisdictions adopt bans or impose other significant restrictions, this may also have a material and adverse effect on the size and robustness of the markets for ICOs and digital tokens generally, which could impact certain of GDH LP's investments.

GDH LP may fail to develop and execute successful investment strategies.

The success of GDH LP's investment and trading activities will depend on the ability of the investment team to identify overvalued and undervalued investment opportunities and to exploit price discrepancies. This process involves a high degree of uncertainty. No assurance can be given that GDH LP will be able to identify suitable or profitable investment opportunities in which to deploy its capital. The success of the trading activities also depends on GDH LP's ability to remain competitive with other over-the-counter traders and liquidity providers. Competition in trading is based on price, offerings, level of service, relationships and market intelligence. The success of investment activities depends on GDH LP's ability to source deals and obtain favorable terms. Competition in investment activities is based on relationships, the ability to offer strategic advice to portfolio companies and reputation. The barrier to entry in each of these businesses is very low and competitors can easily and will likely provide similar services in the near future. The success of GDH LP's investment and trading business could suffer if it is not able to remain competitive.

GDH LP is exposed to a concentration of assets in a particular asset class, which could increase volatility, investment and market risk.

GDH LP trades, invests and hold primarily Digital Assets and investments in the blockchain space and conducts related businesses. GDH LP may accumulate significant positions in, or otherwise have significant exposure to, a single digital asset or asset type. If GDH LP chooses to invest in concentrated positions, it could increase the volatility of investment results over time and exacerbate the risk that a loss in any position would have a material and adverse effect on GDH LP's investment and trading strategies, the value of its assets and the value of any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is exposed to significant market risk based on its positions in Digital Assets, securities, commodities and other assets. The prices or values of digital and non-Digital Assets in which GDH LP may invest or trade can be, and likely will be, highly volatile. Sustained market declines and periods of significant market volatility may limit the ability of GDH LP to produce positive investment and trading results, and there can be no assurance that GDH LP's strategies will be successful in the markets and assets in which it invests or trades.

There may not be an active and liquid trading market for some of GDH LP's Digital Assets.

Some Digital Assets may be more difficult to value than other investments because such assets may not have a liquid or transparent trading market. GDH LP may not be able to sell a digital asset promptly or at a reasonable time or price. Although there may be an institutional market for certain Digital Assets, it is not possible to predict exactly how the market for such assets will develop or whether it will continue to exist. A digital asset that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for Digital Assets.

GDH LP's investments in other investment vehicles may be subject to substantial risk.

GDH LP may make direct or indirect investments in pooled investment vehicles, which may expose GDH LP to all of the risks of those vehicles' investments. The values of pooled investment vehicles are subject to change as the values of their respective assets fluctuate. To the extent that GDH LP invests in managed pooled investment vehicles, the performance of GDH LP's investments in such vehicles will be dependent on the investment and research abilities of persons other than GDH LP. The securities offered by such vehicles typically are not registered under applicable securities laws because they are offered in transactions that are exempt from registration.

GDH LP's investments in options may be subject to substantial risk.

GDH LP may invest in options on digital or non-Digital Assets. Purchasing and writing put and call options are highly specialized activities that entail greater-than-ordinary investment risks. An investment in an option may be subject to greater fluctuation than an investment in the underlying asset. An uncovered call writer's loss is theoretically unlimited. The ability to trade in or exercise options may be restricted in the event that trading in the underlying asset becomes restricted. Unlike exchange-traded options, which are standardized with respect to the underlying instrument, expiration date, contract size and strike price, the terms of over-the-counter options (options not traded on exchanges) are generally established through negotiation with the other party to the option contract. While this type of arrangement allows greater flexibility to tailor an option, over-the-counter options generally involve greater credit risk than exchange-traded options, which are guaranteed by the clearing organization of the exchanges where they are traded. As of this writing, the availability of exchange-traded and over-the-counter options on Digital Assets is extremely limited, so terms may be unfavorable in comparison to those available for more firmly established types of options.

GDH LP's investments in derivatives may be subject to substantial risk.

Derivatives are financial instruments whose values are based on the value of one or more reference assets or indicators, such as a security, currency, interest rate or index. GDH LP's use of derivatives involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional investments. Moreover, although the value of a derivative is based on an underlying asset or indicator, a derivative typically does not carry the same rights as would be the case if GDH LP invested directly in the underlying asset.

Derivatives are subject to a number of risks, such as potential changes in value in response to market developments, and the risk that a derivative transaction may not have the effect that GDH LP anticipated. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not achieve the desired correlation with the underlying asset or indicator. Derivative transactions may be highly volatile, and GDH LP could lose more than the amount it invests. Moreover, derivative transactions permit GDH LP to create investment leverage, which may exacerbate any losses on these positions. A liquid secondary market may not always exist for GDH LP's derivative positions at any time, and GDH LP may not be able to initiate or liquidate a derivative position at an advantageous time or price, which may result in significant losses.

In addition, derivative products are specialized instruments that require investment techniques and risk analyses different from those associated with direct investments. The use of a derivative requires an understanding not only of the underlying instrument but also of the derivative itself. In particular, the complexity of derivatives requires the maintenance of adequate controls to monitor the transactions entered into and the ability to assess the risk that a derivative adds to GDH LP's portfolio.

GDH LP's investments in currencies may be subject to substantial risk.

GDH LP may trade currencies in the interbank market, a global network of commercial banking institutions that make markets in foreign currencies. There is no limitation on daily price moves of contracts traded through banks and dealers. Banks and dealers may require GDH LP to deposit margin with respect to such trading. Banks and dealers are not required to continue to make markets in currencies.

There have been periods during which certain banks have refused to quote prices for currency contracts or have quoted prices with an unusually wide bid-ask spread. Arrangements to trade currency contracts may be made with only one or a few banks, and liquidity problems might therefore be greater than if such arrangements were made with numerous banks. The imposition of credit controls by government authorities might limit such trading to less than that which GDH LP would otherwise undertake. In respect of such trading, GDH LP is subject to the risk of bank failure or the inability of, or refusal by, a bank to perform with respect to such contracts. Most, if not all, of these contracts are directly affected by changes in interest rates. The effects of governmental intervention may also be particularly significant at certain times in the interbank market.

GDH LP's investments in exchange-traded futures contracts expose it to the risks of a clearing broker.

The failure or bankruptcy of any of GDH LP's clearing brokers (or futures commission merchants) could result in a substantial loss of GDH LP's assets. Under the current regulations of the CFTC, a clearing broker maintains customers' assets in a bulk segregated account. If a clearing broker fails to do so, or is unable to satisfy a substantial deficit in a customer account, its other customers may be subject to risk of loss of their funds in the event of that clearing broker's bankruptcy. In such an event, the clearing broker's customers, such as GDH LP, are entitled to recover, even in respect of property specifically traceable to them, only a proportional share of all property available for distribution to all of that clearing broker's customers. When GDH LP trades bitcoin futures, it is exposed to the risk of its clearing broker.

GDH LP's investments and trading transactions may be subject to credit risk.

Credit risk is the risk that an issuer of a security or a counterparty will be unable or unwilling to satisfy payment or delivery obligations when due and the related risk that the value of an investment or trade may decline because of concerns about the issuer's or the counterparty's ability to make such payments. In addition to the risk of an issuer of a security in which GDH LP invests failing or declining to perform on an obligation under the security, GDH LP is exposed to the risk that third parties, including trading counterparties, clearing agents, exchanges, clearinghouses, custodians, administrators and other financial intermediaries that may owe GDH LP money, securities or other assets will not perform their obligations. Any of these parties might default on their obligations to GDH LP because of bankruptcy, lack of liquidity, operational failure or other reasons, in which event GDH LP may lose all or substantially all of the value of any such investment or trading transaction. When GDH LP trades on exchanges that specialize in digital asset futures and derivatives, it is exposed to the credit risk of that exchange.

GDH LP's investments in restricted securities may be subject to substantial risk.

GDH LP may invest in restricted securities, including private investment funds and venture capital investments. These may be less liquid and more difficult to value than other investments because such securities may not be readily marketable. GDH LP may not be able to sell a restricted security promptly or at a reasonable time or price. Although there may be a substantial institutional market for restricted securities, it is not possible to predict exactly how the market for such securities will develop or whether it will continue to exist. A restricted security that was liquid at the time of purchase may subsequently become illiquid, and its value may decline as a result. In addition, transaction costs are generally higher for restricted securities than for more liquid securities. Furthermore, GDH LP may have to bear the expense of registering restricted securities for resale and the many associated risks of substantial delays in effecting such a registration.

GDH LP is not obligated to hedge its exposures, and, if it does, hedging transactions may be ineffective or reduce GDH LP's overall performance.

GDH LP is not obligated to, and often times may not, hedge its exposures. However, from time to time, it may use a variety of financial instruments and derivatives, such as options, swaps, and forward contracts, for risk management purposes, including to: protect against possible changes in the market value of GDH LP's investment or trading assets resulting from fluctuations in the securities markets and changes in interest rates; protect GDH LP's unrealized gains in the value of its investments or trading assets; facilitate the sale of any such assets; enhance or preserve returns, spreads or gains on any trade or investment; hedge the interest-rate or currency-exchange risk on any of GDH LP's liabilities or assets; protect against any increase in the price of any assets that GDH LP anticipates purchasing at a later date; or to any other end that GDH LP deems appropriate. The success of any hedging activities by GDH LP will depend, in part, on its ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets being hedged. Since the characteristics of many assets change as markets change or time passes, the success of GDH LP's hedging strategy will also be subject to its ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. In addition, while GDH LP may enter into hedging transactions to seek to reduce risk, such transactions may actually increase risk or result in a poorer overall performance for GDH LP than if it had not engaged in such hedging transactions.

GDH LP may make, or otherwise be subject to, trade errors.

Errors may occur with respect to trades executed on behalf of GDH LP. Trade errors can result from a variety of situations, including, for example, when the wrong investment is purchased or sold or when the wrong quantity is purchased or sold. Trade errors frequently result in losses, which could be material. To the extent that an error is caused by a third party, GDH LP may seek to recover any losses associated with the error, although there may be contractual limitations on any third party's liability with respect to such error.

GDH LP's trading orders may not be timely executed.

GDH LP's investment and trading strategies depend on the ability to establish and maintain an overall market position in a combination of financial instruments. GDH LP's trading orders may not be executed in a timely and efficient manner because of various circumstances, including, for example, trading volume surges or systems failures attributable to GDH LP or its counterparties, brokers, dealers, agents or other service providers. In such an event, GDH LP might only be able to acquire or dispose of some, but not all, of the components of its positions, or if the overall positions were to need adjustments, GDH LP might not be able to make such adjustments. As a result, GDH LP would not be able to achieve its desired market position, which may result in a loss. In addition, GDH LP can be expected to rely heavily on electronic execution systems (and may rely on new systems and technology in the future), which may be subject to certain systemic limitations or mistakes, causing the interruption of trading orders made by GDH LP.

Unexpected market disruptions may cause major losses for GDH LP.

GDH LP may incur major losses in the event of disrupted markets and other extraordinary events in which market behavior diverges significantly from historically recognized patterns. The risk of loss in such events may be compounded by the fact that in disrupted markets, many positions become illiquid, making it difficult or impossible to close out positions against which markets are moving. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for GDH LP. Any such disruptions and events may have a material and adverse effect on GDH LP's investment and trading strategies and on any investment in GDH LP (and therefore in GDH Ltd.).

GDH LP is exposed to losses due to lack of perfect information.

As a trader in Digital Assets, GDH LP will trade in a variety of assets with a number of different counterparties on both an anonymous and disclosed basis. GDH LP may at times trade with others who have information that is more accurate or complete than GDH LP's, and as a result GDH LP may accumulate unfavorable positions at unfavorable prices preceding large price movements in a given instrument. If the frequency or magnitude of these events increases, GDH LP's losses would likely increase correspondingly, which could have a material and adverse effect on the effectiveness of GDH LP's investment or trading strategies and on any investment in GDH LP (and therefore in the Resulting Issuer).

Valuation methodologies involve subjective judgments.

For purposes of IFRS-compliant financial reporting, GDH LP's assets and liabilities is valued in accordance with IFRS. Accordingly, GDH LP is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its audited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

GDH LP holds certain securities, such as privately placed equity, debt, warrants or options, that will not have readily assessable market values. In such instances, GDH LP will determine the fair value of such securities based on various factors. In connection with securities for which no external pricing information is available, GDH LP may rely on internal pricing models or third-party valuation agents. Such valuations may vary from similar valuations performed by other independent third parties for similar types of securities. The valuation of illiquid securities is inherently subjective and subject to increased risk that the information used to value the security or to create the price models may be inaccurate or subject to other error. Inaccurate valuations may, among other things, hinder GDH LP from effectively managing its investment portfolios and risks.

The value of GDH LP's portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, GDH LP will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that GDH LP is required to adopt could materially change the valuation of GDH LP's assets and liabilities.

Because of a wide variety of market factors and the nature of investments held by GDH LP, there is no guarantee that the value determined by GDH LP or a third-party valuation agent will represent the value that will be realized by GDH LP on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by GDH LP or a third-party valuation agent are inherently different from the valuation of GDH LP's securities that would be performed if GDH LP were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

Changes in, or the development of guidance relating to, accounting standards governing the preparation of GDH Ltd. or GDH LP's financial statements and future events could have a material impact on our reported financial condition, results of operations, cash flows and other financial data.

From time to time, the regulators change the financial accounting and reporting standards governing the preparation of GDH LP's financial statements or the interpretation of those standards. These changes are difficult to predict and can materially impact how GDH LP records and report its financial condition, results of operations, cash flows and other financial data. In some cases, GDH LP may be required to apply a new or revised standard retroactively or to apply an existing standard differently, also retroactively, in each case potentially resulting in the restatement of prior period financial statements and related disclosures. Additionally, GDH LP's accounting policies and methods are fundamental to how it records and reports its financial condition and results of operations. The preparation of financial statements in conformity with IFRS requires management to make estimates based upon assumptions about future economic and market conditions which affect reported amounts and related disclosures in

our financial statements. If subsequent events occur that are materially different than the assumptions and estimates GDH LP used, its reported financial condition, results of operation and cash flows may be materially negatively impacted.

In addition, the accounting for, and audit standards relating to, Digital Assets remain subject to further guidance. To the extent that such guidance imposes obligations on audit firms that they are not able to meet with respect to the review of Digital Assets, GDH LP and GDH Ltd. could have difficulty in obtaining an audit opinion, filing audited financial statements in a timely manner or obtaining an unqualified opinion.

Risks Related to Taxation

The tax treatment of Digital Assets is unclear.

The treatment of Digital Assets under the tax laws of the jurisdictions in which GDH Ltd. and GDH LP are or may be subject to tax is unclear. The operations and dealings of GDH Ltd., through GDH LP, in or in connection with Digital Assets could be subject to adverse tax consequences in one or more jurisdictions, including as a result of development of the legal regimes surrounding Digital Assets, and GDH Ltd.'s operating results could be adversely affected thereby. Similarly, the purchase, holding or disposition of GDH Ltd. shares could also be subject to adverse treatment or adverse legal developments as a result of GDH Ltd.'s investment and dealings in Digital Assets through GDH LP.

With respect to GDH LP, many significant aspects of the U.S. federal income tax treatment of Digital Assets (including with respect to the amount, timing and character of income recognition) are uncertain. The General Partner does not intend to request a ruling from the Internal Revenue Service (the "IRS") on these issues. Rather, the General Partner will cause GDH LP to take positions that it believes to be reasonable. There can be no assurance that the IRS will agree with the positions GDH LP takes, and it is possible that the IRS will successfully challenge GDH LP's positions.

Shareholders and prospective purchasers of GDH Ltd. shares are urged to consult their own tax advisors regarding the treatment of Digital Assets and the consequences of investing in GDH Ltd., which, indirectly through GDH LP, will invest in Digital Assets.

GDH Ltd. may be treated as a U.S. corporation or "surrogate foreign corporation" for U.S. federal income tax purposes.

GDH Ltd. continued under the laws of the Cayman Islands, and GDH Ltd. intends to take the position that it is classified as a foreign corporation for U.S. federal income tax purposes. In certain cases, however, U.S. tax "inversion" rules under Section 7874 of the Code may cause a corporation organized outside of the United States to be treated as a U.S. corporation for U.S. federal income tax purposes if shareholders of a U.S. corporation acquired by GDH Ltd. (or partners of a U.S. partnership conducting a trade and business and acquired by GDH Ltd.) are treated as owning 80% or more of the stock of the foreign corporation by reason of holding such stock (or partnership interest) in such U.S. corporation (or U.S. partnership). The computation of the percentage interest is governed by complex rules that are often counterintuitive and unclear, and a foreign corporation may be treated as a U.S. corporation for U.S. tax purposes even if the foreign corporation is treated as tax-resident in another jurisdiction under the laws of that other jurisdiction (thus potentially subjecting the corporation to multiple taxation).

If GDH Ltd. were treated as a U.S. corporation, the tax liability of GDH Ltd. could materially increase, GDH Ltd. could be adversely affected and non-U.S. shareholders of GDH Ltd. could be subject to U.S. withholding tax on the gross amount of any dividends paid by GDH Ltd. on GDH Ltd. shares.

In addition, even if GDH Ltd. were treated as a foreign corporation, it could be treated as a surrogate foreign corporation if the percentage described above is calculated to be at least 60% but below 80%. A surrogate foreign corporation is subject to a number of unfavorable U.S. tax rules, and if GDH Ltd. were treated as a surrogate foreign corporation, certain adverse consequences could apply.

While GDH Ltd. believes that it is, for U.S. tax purposes, neither a U.S. corporation nor a surrogate foreign corporation, there can be no assurance that U.S. tax authorities will agree with this position or that, in the event of a legal challenge, a U.S. court would sustain GDH Ltd.'s position. Prospective purchasers of GDH Ltd. shares are urged to consult their own tax advisors regarding the implications of Section 7874 of the Code and related provisions for an investment in GDH Ltd.

The current structure of GDH Ltd. and GDH LP is based in part on current U.S. tax law, which is subject to change, possibly on a retroactive basis.

In the event of changes to U.S. tax law, GDH LP could seek to restructure its organization and operations, but there can be no assurance that such a restructuring would be successful, efficient or optimal from a business or operations perspective. Changes in tax laws, regulations or interpretations may have an adverse effect on GDH LP's businesses, financial condition, results of operations and investments.

Market Controls and Regulations

GDH LP is engaged in developing a full-service merchant banking business in the blockchain space relating to trading, principal investments, lending, asset management and advisory services with respect to Digital Assets. Below is a description of the regulation, requirements or regimes that are, or are expected to be, applicable to GDH LP's businesses by jurisdiction.

The worldwide regulation of investing and financial businesses is extremely complex; Digital Assets make up a relatively new and rapidly evolving space. GDH LP is expected to be guided in significant part by regulatory regimes that are not clear or are not yet developed. GDH LP intends to use its internal legal and compliance expertise, in consultation with its outside counsel, to determine how to engage in its business activities so as to obtain the appropriate licenses or to be able to rely on an exception or exemption from any relevant registration requirement. GDH LP will continue to monitor the laws and guidance issued in these jurisdictions that may be applicable to its business.

United States

CFTC Regulation - The CFTC regulates markets in listed futures and various types of over-the-counter derivatives on commodities, when traded in, into or from the United States. The CFTC has taken the position that certain cryptocurrencies are commodities for purposes of the regulatory scheme of the Commodity Exchange Act of 1936 (the "CEA"). Generally speaking, trading in a principal capacity in "physical" commodities (that is, in the "spot" or "cash" markets) would not subject a person to a licensing or regulation requirement under the CEA. The CFTC does have jurisdiction over these activities with respect to its anti-fraud and anti-manipulation authority under the CEA. Derivative transactions with commodities may be subject to regulation by the CFTC as "swap" transactions. The definition of "swap" is broad, and the CFTC's swap regulation regime imposes requirements such as reporting and recordkeeping on swap counterparties, including market participants that are not registered with the CFTC.

SEC Regulation - The SEC, which regulates the offering, sale and trading of securities as well as various requirements applicable to public companies under U.S. federal securities laws, considers certain Digital Assets to be securities. GDH LP's contemplated businesses may relate to products that may be considered securities for purposes of U.S. federal securities laws and regulations. As a general matter, any transaction in securities, including purchases and sales for principal investment, would be subject to the SEC's anti-fraud and anti-manipulation authority under the U.S. Securities Act and the 1934 Act. In addition, offers and sales of securities may require registration under the Securities Act or, alternatively, compliance with various rules and regulations for exemptions from registration. The regulatory requirements of the Securities Act and the 1934 Act will require a careful facts and circumstances analysis of any involvement by GDH LP in ICOs as well as any resales of digital tokens initially issued in ICOs and is expected to be an important part of GDH LP's compliance framework. Additionally, GDH LP's activities with respect to securities may require registration with the SEC depending on their nature, particularly if GDH LP engages in customer-facing businesses such as brokerage or asset management.

Broker Dealer - The 1934 Act requires that any person who is a broker or a dealer must register with the SEC and defines a broker as "any person engaged in the business of effecting transactions in securities for the account of others." In order for the financial advisory business to advise clients interested in transactions that involve securities, GDH LP intends to have a broker-dealer registered with the SEC. GDH LP has purchased a 20% interest in a registered broker dealer and has applied to the Financial Industry Regulatory Authority ("FINRA") to complete the purchase of the remaining ownership interests in the firm. Among other things and depending on the scope of the broker-dealer license, broker-dealers registered with the SEC are subject to requirements relating to how to structure and complete transactions in securities, execute client orders, safeguard client assets and maintain the required levels of regulatory capital, among other things. In addition, broker-dealers are subject to anti-money laundering rules and requirements issued by the Financial Crimes Enforcement Network of the U.S. Department of the Treasury under the U.S. Bank Secrecy Act (collectively, the "Anti-Money Laundering Rules"). The regulatory framework for broker-dealers includes significant oversight from both the SEC and the FINRA. The broker dealer may also be subject to U.S. state registration requirements.

Investment Adviser - The U.S. Investment Advisers Act of 1940 (the "Advisers Act") defines an investment adviser as "any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities." Galaxy Digital Capital Management LP ("GDCM") has filed as an exempt reporting adviser with the SEC pursuant to Advisers Act. GDCM intends to become a registered investment adviser when required. To the extent that GDCM has discussions with potential investors, it intends to follow the applicable selling restrictions for each such jurisdiction. In addition, GDCM is subject to the Anti-Money Laundering Rules.

Regulation of Money Transmission - U.S. states have adopted a spectrum of approaches to the regulation of Digital Assets, ranging from a state applying its own money transmission licensing regime, which 49 of the states have done so in some form, to adopting a separate regulatory regime for the oversight of Digital Assets, such as New York's BitLicense discussed below. In

addition, the transmission of certain non-cryptocurrency Digital Assets, such as digital tokens, could also constitute a money services business. GDH LP is exploring the feasibility of registering as a money services business and receiving a money transmitter license in order to effect aspects of its trading business. Registration as a money transmitter under U.S. state law would generally require GDH LP to comply with the regulations applicable to a money services business, including the Anti-Money Laundering Rules. Furthermore, a number of U.S. states have adopted specific statutory provisions, or have issued guidance, regarding the treatment of virtual currencies under the money transmitter requirements of that U.S. state.

Virtual Currency Business Activity in New York - The New York State Department of Financial Services requires that any persons or entity engaging in virtual currency activity in New York obtain a BitLicense. Subject to certain exemptions, virtual currency business activity includes virtual currency transmission, custody, buying or selling as a customer business or controlling, administering or issuing virtual currency. GDH LP is exploring the feasibility of applying for a New York BitLicense in order to effect aspects of its trading business.

Lending - There is no U.S. federal law that governs lending activities. Some U.S. state laws may, under certain circumstances, require GDH LP to obtain a license from the relevant regulatory authority or authorities in a given state before conducting those lending activities. As a general matter, most state lending licensing laws focus their registration and regulatory requirements on small-dollar, consumer and household lending activities, not commercial lending activity. However, laws and licensing requirements related to lending activities vary from state to state. GDH LP is headquartered in the State of New York and will conduct its operations, including the lending activities, from the State of New York. One or more of the legal entities through which GDH LP will conduct such lending activities will be incorporated in the State of Delaware. Generally, GDH LP expects to engage in its lending activities that are above the New York State dollar threshold and do not involve consumer credit transactions for purposes of Delaware State law. GDH LP intends to obtain the appropriate licenses if required.

Canada

GDH LP's diversified asset management firm dedicated to the digital currency and blockchain sectors intends, in the future, to register or file for a registration exemption in Canada to sell or distribute securities, or to advise with respect to investments in securities, or to act as an investment fund manager, if required.

GDH LP may from time to time make loans to Canadian companies. If GDH LP does make such loans, then it will be subject to a licensing requirement as a mortgage lender under applicable mortgage broker legislation in the Provinces of British Columbia and Ontario. To the extent GDH LP engages in activities related to selling mortgages that it has originated then, in addition to British Columbia and Ontario, it would also be subject to a licensing requirement in the Provinces of Manitoba and Newfoundland and Labrador. Additional Canadian regulatory requirements would arise if loans are made in cryptocurrency instead of in cash, if loans were made to borrowers located in Saskatchewan and if GDH LP engaged in debt collection or mortgage broker activities for others. Under Canadian law, while there are no registration requirements that would apply to GDH LP if it were to engage in debt collection activities for its own loans, there are specific requirements and restrictions on interactions with debtors that it must comply with in connection with collecting or attempting to collect debts. There are also specific restrictions with respect to GDH LP referring to itself as a "bank". GDH LP intends to comply with any such applicable requirements.

In March 2019, the Canadian Securities Administrators and the Investment Industry Regulatory Organization of Canada ("IIROC") jointly published Consultation Paper 21-402 Proposed Framework for Crypto-Asset Trading Platforms, in which they proposed regulation of platforms that facilitate the buying, selling or transferring of crypto assets. The proposal contemplates platforms becoming registered as investment dealers and becoming both dealer and marketplace members of IIROC. The proposal addresses the risks and features of the platforms through a series of requirements to be further developed through consultation with the financial technology community, market participants, investors and other stakeholders. The framework is intended to apply both to platforms that operate in Canada and to those that have Canadian participants. The comment period ends in May 2019 and the timing and impact of any final regulations remain uncertain.

Other Jurisdictions

GDH LP may engage in activities relating to Digital Assets in other jurisdictions, including, among other places, Japan, the U.K. and Hong Kong.

The Japan Virtual Currency Act (the "VC Act") of 2015 clarified that all virtual currency exchanges be registered or licensed. The VC Act covers: (i) the sale and purchase of virtual currency or exchange of a virtual currency into another virtual currency; (ii) an intermediary, brokerage or agency service for the sale, purchase or exchange of virtual currencies; and (iii) management (custody) of fiat currency or virtual currency on behalf of others in relation to the prior-described activities. Operators of a virtual currency exchange business have duties including customer identify verification, accountability, segregation of customers' assets, bookkeeping, compliance and internal audit. In March 2019, Japan's Financial Services Agency ("FSA") proposed a bill to the National Diet, the Japanese legislative body, which replaces the term "Virtual Currency" with "Crypto Assets" and is part of a

wider effort to align current financial regulations with crypto regulations and address derivatives and securities token offerings. Under the bill, responsibilities of exchanges are proposed to be broadened, most pointedly in areas of leverage and reserve funds (equal to clients' deposits). The Payment Services Act ("PSA") and the Financial Instruments and Exchange Act ("FIEA") will be amended and: (i) certain types of crypto assets would constitute securities for purposes of Japanese securities regulations and would be exclusively regulated by the FIEA; (ii) derivatives in Crypto Assets would also be regulated under the FIEA; (iii) Crypto Asset custody would be regulated under the Payment Services Act and custody businesses would not be able to do business with Japanese residents without a license as a Crypto Asset Exchange Service Provider; and (iv) the offering and trading of securities token offerings would be subject to regulation under the FIEA, including those related to public offering and disclosure and using a licensed broker/dealer in connection with providing relevant services. The timing and final content of any final regulations remain uncertain.

In January 2019, the U.K. Financial Conduct Authority ("FCA") published a consultation paper, "Guidance on Crypto assets" to provide more regulatory clarity. The consultation period ends in April 2019, after which a policy statement with final guidance is expected to be released. The FCA outlines a number of definitions of crypto assets and applicable U.K. laws and indicates that crypto assets should be considered specified investments under the Regulated Activities Order or financial instruments regulated by the Markets in Financial Instruments Directive II. The paper also mentions that such assets could be regulated by the E-Money Regulations or Payment Services Regulations. The FCA's crypto asset guidance places cryptocurrencies into three potential categories, exchange tokens, security tokens and utility tokens and provides guidance regarding each token category.

The primary legislation in Hong Kong that governs the securities industry is the Securities and Futures Ordinance ("SFO"). Firms which engage in the conduct of "regulated activities" are subject to the licensing or registration regime of the Securities and Futures Commission ("SFC"); and the SFC has supervisory powers over intermediaries licensed or registered with the SFC in the conduct of "regulated activities" under the SFO. The scope of "regulated activities" largely depends on whether the subject matter falls within the legal definitions of "securities" or "futures products" under the SFO. The SFC in November of 2018 issued guidance related to virtual assets and securities tokens, which included measures to protect the interests of investors in virtual asset portfolios or funds and explored the potential regulation of virtual asset trading platforms. A regulatory framework was suggested for virtual asset portfolio managers, fund distributors and trading platform operators, which set out the standards for firms managing virtual asset portfolios, distributing virtual asset funds, or both; and the conceptual framework for the possible regulation of virtual asset trading platform operators. The SFC also published the Circular to intermediaries on distribution of virtual asset funds, which sets out the expected regulatory standards and practices in the distribution of virtual asset funds by licensed or registered intermediaries. The SFC noted that a significant portion of virtual asset activities did not fall within the SFC's regulatory ambit because such virtual assets fall outside the legal definitions of "securities" or "futures contracts" under the SFO. Firms which do not conduct any "regulated activities" under the SFO will continue to operate outside the legal jurisdiction of the SFO. In March 2019, the SFC reiterated the legal and regulatory requirements for parties engaging in security token offering and related activities, particularly intermediaries that market or distribute such offerings.

Certain countries or jurisdictions, including but not limited to China, Russia, South Korea, the United States and Canada, may take regulatory actions now or in the future that severely restrict the right to acquire, own, hold, sell, mine or use Digital Assets. Such limitations could cause the price of any affected digital asset to decrease substantially and restrict the ability of GDH LP to operate as planned, if at all.

Quarterly Highlights & Results

<i>\$'s in millions</i>	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	November 30, 2017 ¹ to December 31, 2017
Digital assets	\$ 69.8	\$ 123.2	\$ 112.2	\$ 104.4	\$ 22.7
Investments	179.4	199.8	201.2	121.4	—
Loans receivable - short term	2.4	1.8	—	—	—
Loans receivable - long term	15.9	16.0	0.8	—	—
Total assets	349.9	435.5	356.1	281.7	54.7
Total liabilities	44.2	49.0	151.4	112.0	53.0
Total equity	305.7	386.5	204.7	169.7	1.7
Net realized gain (loss) on digital assets	(48.7)	(38.1)	(1.1)	(13.5)	1.5
Income (Loss)	(45.7)	(36.1)	0.5	(13.5)	1.5
Operating expenses	(33.8)	(30.0)	(13.6)	(10.9)	(1.2)
Net unrealized gain (loss) on digital assets	7.8	0.4	1.8	(85.5)	1.5
Net unrealized gain (loss) on investments	(25.1)	(4.2)	44.8	(24.0)	—
Net comprehensive income (loss)	(97.0)	(76.7)	35.0	(134.0)	1.7

¹ Formation of Galaxy LP

- As of December 31, 2018, digital assets stood at \$69.8 million, a decrease from \$123.2 million as of September 30, 2018. This decrease was primarily due to \$48.7 million of realized losses during the quarter, partially offset by \$7.8 million of net unrealized gains.
- Investments decreased \$20.4 million during the quarter to \$179.4 million as of December 31, 2018. The decrease was primarily a result of \$25.1 million of unrealized loss during the quarter as well as a \$10.0 million distribution received, partially offset by \$24.2 million of capital deployed by the Principal Investments team.
- Total liabilities decreased by \$4.8 million during the quarter, of which \$13.9 million was due to the reduction of digital assets sold short, offset, in part, by \$9.8 million of a payable for unsettled digital asset trades.
- For the three months ended December 31, 2018, net comprehensive loss was \$97.0 million, as compared to net comprehensive loss of \$76.7 million for the three months ended September 30, 2018. This brings net comprehensive loss to approximately \$272.7 million for the year ended December 31, 2018. The current quarter loss was largely a result of realized loss on digital assets, unrealized loss on investments, and equity based compensation accruals.
- Total equity decreased by \$80.8 million during the quarter to \$305.7 million as of December 31, 2018 primarily due to the \$97.0 million net comprehensive loss, partially offset by \$17.0 million of equity based compensation, which did not have a net effect on equity due to the accounting treatment for equity based compensation.
- As Galaxy LP was formed on November 30, 2017 and commenced operations in its Trading business on December 6, 2017, prior year amounts are reflective of less than one month of activity.
- The U.S. dollar is the functional and presentation currency for all periods presented above. There have been no changes to the accounting principles applied for all periods presented (*See Change in Accounting Policies including Initial Adoption*).

Annual Highlights & Results

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

¹ Formation of Galaxy LP

- For the year ended December 31, 2018, the net comprehensive loss of \$272.7 million was primarily due to the net realized loss on digital assets of \$101.4 million, net unrealized loss on digital assets of \$75.5 million, net unrealized loss on investments of \$8.5 million and operating expenses of \$88.4 million.
- Operating expenses for the year ended December 31, 2018 were \$88.4 million. Excluding \$31.3 million of equity based compensation as well as \$11.7 million of non-recurring expenses in connection with the formation and start-up of the Partnership, recurring annual expenses were \$45.4 million as of December 31, 2018. The \$11.7 million of non-recurring expenses are inclusive of legal fees incurred in connection with the closing of the Arrangement (\$5.4 million), placement fees (\$2.2 million), interest incurred primarily on the GGI bridge loan (\$2.2 million), travel and entertainment related costs largely incurred in connection with the Arrangement (\$1.2 million) and organizational costs (\$0.7 million).

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*).

- Trading**
 - During the first quarter, the Trading business effectively managed the performance and overall risk of the principal trading book by strategically liquidating, shorting, trading and reinvesting in liquid cryptocurrencies.
 - During the second quarter, the Trading business also began building an institutional quality OTC desk to engage in the buying and selling of digital assets. Additionally, the Trading business manages a macro strategy of liquid and semi-liquid cryptocurrency and related asset investing that is deeply integrated with its principal investing, giving both business segments a competitive advantage over other market participants.
 - During the third quarter, the Trading business further bolstered its institutional presence through the expansion of its OTC counterparty network and sustained activity across a spectrum of liquid assets. The effective management of principal risk and trading strategies continues to differentiate the Trading business from its competitors. Additionally, the Trading business in-house, quantitative development team continues to build and expand its proprietary infrastructure. The business leverages deep trading and technology expertise to create a suite of market neutral trading strategies across a variety of crypto assets and exchanges. During the third quarter, the Trading business more than doubled the total number of its onboarded counterparties.
 - The Trading business finished the year with a strong fourth quarter, as momentum from increased counterparty engagement facilitated steady growth in trading volumes. The Trading business continues to focus on deep counterparty relationships, and its extensive markets experience gives it a competitive advantage when providing liquidity solutions. The Trading business further expanded its offerings in the fourth quarter by catering to the individual needs of each counterparty through bespoke services and lending opportunities. Developments in the quantitative infrastructure continue to provide unparalleled access to liquidity and diversified strategies.

- **Principal Investments**

- o During the first quarter, the Principal Investments team closed five new investments and two add-on investments (following a prior investment in a special purpose vehicle formed for the purpose of investing in Ripple Labs, Inc.), representing \$8.9 million and \$41.0 million of invested capital, respectively. These investments included:
 - Three new pre-ICO contributions, covering distributed power generation, a decentralized video content platform, and an event ticketing platform (\$1.4 million in total).
 - Two new equity investments, including (i) Silvergate Capital Corporation (\$7.3 million), a state-chartered bank holding company providing traditional banking and new technology services to blockchain and cryptocurrency participants, and (ii) Messari, an open-sourced development data project focused on bringing organized and transparent reporting standards to the cryptocurrency market.
 - Two add-on equity investments, including (i) a minority equity position in Block.one, one of the leading delegated proof of stake blockchain protocol development companies (\$33.0 million), and (ii) a minority equity position in Ripple Labs, Inc., a leading payments-focused blockchain technology company (\$8.0 million).
- o During the second quarter, the Principal Investments team executed on six new investments and four add-on investments, representing \$28.2 million and \$9.9 million of invested capital, respectively. These investments included:
 - Six new equity investments, including (i) AlphaPoint Corporation, an enterprise-grade, blockchain-based asset digitization and exchange platform company in which Galaxy LP led a Series A financing round (\$15.0 million); (ii) BlockFi, Inc., a crypto-secured consumer lending platform in which Galaxy LP led a Series Seed-2 financing round (\$1.8 million); (iii) a seed investment in a Galaxy managed fund (\$1.6 million), and (iv) additional minority stakes in companies covering cryptocurrency mining and software technology, international blockchain advisory services, and a digital asset marketplace platform. The largest being a minority stake in Bitfury Group Limited (\$9.0 million).
 - Four add-on investments, the largest of which was additional equity in Ripple Labs, Inc., a leading payments-focused blockchain technology company (\$6.9 million).
- o During the third quarter, the Principal Investments team executed on six new investments (including loans extended) and one add-on investment, representing \$19.8 million and \$0.9 million of invested capital, respectively. These investments included:
 - One secured debt and one lending related investment, respectively, including (i) Hut 8 Mining Corp. (\$15.7 million), a cryptocurrency mining and blockchain infrastructure company, along with an allocation of warrants, and (ii) \$1.8 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 investment in.
 - Three new pre-ICO contributions, covering a full stack crypto asset management solution, a blockchain scalability platform and a privacy-first cloud computing platform on blockchain technology (\$1.3 million in total).
 - One new and one add-on equity investment, respectively, in (i) an institutional brokerage firm, and (ii) a Galaxy managed fund.
- o During the fourth quarter, the Principal Investments team executed on eight new investments and three add-on investments, representing \$19.7 million and \$4.5 million of invested capital, respectively. These investments included:
 - Six new and one add-on equity investment including (i) Bitgo Holdings, Inc. a security, compliance and custodial services company (\$7.5 million); (ii) Bakkt Holdings, LLC, a company which is building an open, seamless global network to enable customers and institutions to buy, sell, store and spend digital assets (\$5.0 million); (iii) Mercantile Global Holdings, Inc., a trading and banking platform to enable customers to trade, bank and administer digital assets, which included an allocation of warrants (\$4.0 million); (iv) a Galaxy managed fund (\$2.4 million); (v) Clause, Inc., a blockchain company that allows customers to write and manage smart legal contracts (\$1.5 million investment by the Partnership); (vi) Spring Labs, a company

which enables financial institutions and data providers to share data (\$0.5 million); and (vii) Bison Trails Co., a staking and infrastructure services company for the cryptocurrency markets (\$0.2 million).

- Two new and one add-on convertible note, including a distributed crypto data library which serves as an investor portal and directory for cryptocurrencies, a crypto-secured consumer lending platform, and a company which provides network resources to applications (\$1.2 million in total).
- An additional \$2.0 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.
- o Investments (including loans extended) made during the fourth quarter bring capital deployed for the year ended December 31, 2018 to approximately \$132.9 million, represented by 25 new and 10 add-on investments.
- **Asset Management**
 - o During the first quarter, the Asset Management business raised \$140 million into Galaxy Digital Capital Management LP's ("GDCM") cash management strategy, providing outsourced treasury services to ecosystem partners.
 - o The Bloomberg Galaxy Crypto Index (the "BGCI") launched in May 2018. The index is owned and administered by Bloomberg Index Services Limited and is co-branded with GDCM. The BGCI facilitates diversified exposure, performance benchmarking and the opportunity to build institutional fund products utilizing the index. On May 18, 2018, GDCM launched the Galaxy Benchmark Crypto Index Master Fund LP (the "Fund"), a passively managed fund designed to track the performance of the BGCI. The BGCI is independently administered and calculated by Bloomberg. The Fund is designed to provide institutional investors with exposure to the largest, most liquid portion of the cryptocurrency market. Constituents and weightings of the Fund will be based on index rules set forth by Bloomberg.
 - o Additionally, on June 5, 2018, GDCM launched the Galaxy EOS VC Fund LP (the "EOS VC Fund"), the previously announced \$325 million venture capital fund focused on investing in companies building on the EOS.IO blockchain protocol. On June 14, 2018, the EOS VC Fund closed its first deal, leading a Series D round for High Fidelity, Inc. with a \$20 million investment. High Fidelity, Inc. is developing a blockchain-based virtual reality platform.
 - o The Asset Management business continued to work with traditional finance service providers to build out the institutional infrastructure around digital assets. Early in the fourth quarter 2018, Asset Management co-hosted an event with Bloomberg, Fidelity, and Galaxy Digital where Fidelity unveiled their new company, Fidelity Digital Assets, of which the Galaxy Bloomberg Crypto Index Fund would be an anchor client, focused on providing crypto custody and trade execution services to institutional clients.
 - Additionally, in the fourth quarter of 2018, the EOS VC Fund continued to invest in companies dedicated to building within the EOS ecosystem. In addition to the previously discussed investments in Bloq, Inc., Varius Solutions, Inc., GoQii Inc., and Mythical, Inc., the EOS VC Fund made investments in Clause, Inc., Good Money Group, Inc., AlphaPoint Corporation, and Freelance Labs, Inc., with additional investments made in early 2019 in Lucid Sight, Inc. and Ciphertrace, Inc.. These investments collectively represent more than \$50 million invested into the EOS ecosystem since the inception of the EOS VC Fund in June 2018 with additional investment planned for 2019.
 - o As of December 31, 2018, the Partnership had assets under management ("AUM") of \$423.0 million (consisting of: Fund - \$7.2 million (as calculated per the terms of the Fund's partnership agreement); EOS VC Fund committed capital - \$325 million; cash management fund - \$90.8 million). Capital commitments funded from one vehicle to another may result in a decline in AUM.
- **Advisory Services**
 - o During the first quarter of 2018, the Advisory Services business served a wide variety of clients with blockchain and digital currency solutions. This business works alongside both early stage and institutional clients as they navigate the space and define their blockchain strategies. The Advisory Services business has assisted clients with market research, solution ideation, technical whitepapers, solution architecture, and project management.
 - o During the second quarter of 2018, the Advisory Services business continued to expand its capabilities and actively hire professionals with expertise in providing strategic corporate advisory services, including M&A,

corporate restructuring, and re-branding. The Advisory Services team continues to provide ongoing support to the Partnership's portfolio companies as well as independently sourced clients across the digital asset ecosystem and traditional institutional businesses in all industries.

- o On November 9, 2018, the Partnership announced that, in an effort to adapt to the regulatory framework and the opportunities it is currently seeing, it is repositioning its Advisory Services business from focusing on small ICO advisory and blockchain consulting to instead serve larger, more institutional clients in the space.
- o During the fourth quarter of 2018, the Advisory Services business added key hires, in particular Ian Taylor who joined the Partnership as head of Advisory Services. In this role, Mr. Taylor will be responsible for further developing and building out an institutional-quality advisory team spanning general corporate advisory, capital raising services and mergers and acquisitions. As of the first quarter of 2019, the Advisory Services has made significant progress, with several active mandates for clients across financing, mergers and acquisitions, and other strategic matters.

Galaxy LP and Block.one, the developer behind blockchain software EOS.IO, have several relationships. As discussed above, GDCM launched the EOS.IO Ecosystem Fund that is focused on developing the EOS.IO ecosystem and making strategic investments in projects that utilize EOS.IO blockchain software. GDCM also manages a cash management strategy of which Block.one is an investor and from which Galaxy LP earns management fees. Finally, Galaxy LP has investments in EOS tokens and a less than 5% equity ownership of Block.one.

Industry Performance and Outlook

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

	As of January 9, 2018	As of March 31, 2018	As of June 30, 2018	As of September 30, 2018	As of December 31, 2018	% Change Q4 2018	% Change from January 9, 2018 to December 31, 2018
Cryptocurrency Market Capitalization ⁽¹⁾	\$739,209	\$267,472	\$256,434	\$224,483	\$126,142	(43.8)%	(82.9)%
Bitcoin Price ⁽²⁾	\$14,595	\$6,974	\$6,404	\$6,626	\$3,743	(43.5)%	(74.4)%
Ether Price ⁽²⁾	\$1,300	\$396	\$455	\$233	\$133	(42.9)%	(89.8)%

(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 overall declined considerably during Q4 2018 with a broad unwinding of prices across traditional and digital asset markets. Following some market stability early in Q4, markets retraced in the latter half of the quarter as the liquid digital asset market capitalization declined to \$126.1 billion on December 31, 2018 from \$224.5 billion at Q3-end after markets slumped due to significant selling pressures.

Trading volumes declined slightly throughout the quarter amidst the broader decline in asset prices. Cryptocurrency asset volumes declined from \$15.2 billion on September 30, 2018 to \$13.6 billion on December 31, 2018. Trading volumes still remain relatively low in comparison to December 31, 2017 (\$34.2 billion). The decline in the amount and value of cryptocurrency being traded on a daily basis has made it a more difficult environment for all of the Partnership's trading businesses. Increased competition in the trading business has narrowed the spreads in the Partnership's arbitrage activity. While the Partnership continues to improve and strengthen its trading business, the lack of overall trading volume in cryptocurrencies has been a headwind for the business.

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 Q4 amidst rising competitive forces 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. In particular, Monero and Zcash completed upgrade plans for Q4, and Ethereum is slated to complete their third significant update in the first quarter of 2019.

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

Cryptocurrency began in 2009 as a retail product without the typical infrastructure associated with modern finance - namely institutional custody, clearing and lending. As of December 31, 2018, no large custodians have yet offered services in the cryptocurrency markets. In the meantime, smaller firms offer custody services to investors and funds holding cryptocurrency assets. GHD expects larger institutional firms to offer custody services in the future which will by their nature facilitate the availability of clearing and lending services. In this regard, in October 2018, Fidelity Investments, one of the world's largest and most diversified financial services providers, launched a new company, Fidelity Digital Asset Services, LLC to offer enterprise-quality custody and trade execution services for digital assets to sophisticated institutional investors such as hedge funds, family office and market intermediaries.

In August 2018, Intercontinental Exchange ("ICE") with support from Microsoft, Boston Consulting Group, and others, announced the launch of the digital asset focused business unit Bakkt. Per its announcement, Bakkt aims to be a federally regulated, scalable on-ramp to the space that enables clients to buy, sell, store, and spend digital assets starting with "physically" settled Bitcoin futures. The launch has been pushed from December 2018 to 2019 as the company continues to work with the Commodities Futures Trading Commission ("CFTC") to gain regulatory approval, but the recent partial government shutdown further delayed approval and Bakkt's launch. Fidelity's institutional custody service is expected to launch in the first half of 2019..

All of the above advances lead to wider adoption of blockchain and cryptocurrencies. This adoption may lead to increased volumes and prices, which may benefit all of our businesses. On a daily basis, the trading business may benefit the most from these advances as one of the key factors to its success is the volume and value of cryptocurrencies traded.

Industry update since December 31, 2018

Asset prices overall rose in 2019 with a broad lift of prices across traditional and digital asset markets. Following market instability in the fourth quarter of 2018, markets rose in 2019 as the liquid digital asset market capitalization increased after markets experienced a shift in buying pressures and sentiment.

Performance by Reportable Segment

Income and expenses by each of the reportable segments for the year ended December 31, 2018 is as follows:

	Trading	Principal Investing	Asset Management	Advisory	Corporate and Other	Totals
Income						
Advisory and management fees	\$ —	\$ —	\$ 3,257,875	\$ 934,933	\$ —	\$ 4,192,808
Net realized loss on digital assets	(36,227,200)	(65,167,623)	—	—	—	(101,394,823)
Interest income	24,140	1,296,831	—	39,394	838	1,361,203
Other income	813,778	271,314	—	—	—	1,085,092
	(35,389,282)	(63,599,478)	3,257,875	974,327	838	(94,755,720)
Operating Expenses						
Equity based compensation	8,334,354	5,002,115	5,993,013	4,568,483	7,383,927	31,281,892
Compensation and compensation related	7,501,552	3,121,864	5,560,440	2,243,617	8,447,844	26,875,317
General and administrative	3,936,514	1,741,230	1,770,729	1,336,654	2,992,329	11,777,456
Professional fees	495,279	798,793	276,880	39,913	9,780,662	11,391,527
Interest	841,194	3,481,243	—	—	475,900	4,798,337
Insurance	—	—	—	—	2,188,081	2,188,081
Director fees	—	—	—	—	50,000	50,000
	21,108,893	14,145,245	13,601,062	8,188,667	31,318,743	88,362,610
Net unrealized gain (loss) on digital assets	38,844,149	(114,338,602)	—	—	—	(75,494,453)
Net unrealized loss on investments	—	(8,459,854)	—	—	—	(8,459,854)
Unrealized foreign currency gain	4,429	—	—	30,767	—	35,196
Realized foreign currency gain (loss)	(332,523)	—	—	—	944,930	612,407
Goodwill impairment	—	—	—	—	(6,216,914)	(6,216,914)
	38,516,055	(122,798,456)	—	30,767	(5,271,984)	(89,523,618)
Net loss	\$ (17,982,120)	\$ (200,543,179)	\$ (10,343,187)	\$ (7,183,573)	\$ (36,589,889)	\$ (272,641,948)

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 \$85.5 million of net unrealized loss on digital assets for Q1 2018, the \$1.8 million of net unrealized gain on digital assets for Q2 2018, the \$0.4 million of net unrealized gain on digital assets for Q3 2018 and the \$7.8 million of net unrealized gain on digital assets for Q4 2018, aggregating to a net unrealized loss on digital assets of \$75.5 million for the year ended December 31, 2018 as compared to the performance of the cryptocurrency market capitalization, Bitcoin and Ether for the same periods (*See Industry Performance and Outlook*).

Net Realized Loss on Digital Assets

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

For the three months ended December 31, 2018, the largest contributors to the net realized loss on digital assets of \$48.7 million were losses on sales of Ethereum (\$23.7 million), Bitcoin (\$20.3 million) and Aion (\$8.3 million), partially offset by \$2.1 million of realized gains on Ethereum Classic.

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 a digital asset sold short (\$1.4 million), partially offset by \$1.9 million of realized gains on Ethereum Classic.

For the three months ended June 30, 2018, the largest contributors to the net realized loss on digital assets of \$1.1 million were losses on sales of Ethereum (\$9.1 million), Bitcoin (\$7.6 million) and BlockV (\$5.1 million), partially offset by \$21.9 million of realized gains on a digital asset sold short.

For the three months ended March 31, 2018, the largest contributors to the net realized loss on digital assets of \$13.5 million were losses on sales of Bitcoin (\$32.7 million) and Ethereum (\$9.5 million), partially offset by \$33.0 million of realized gains on a digital asset sold short.

Net Unrealized Gain (Loss) on Digital Assets

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

For the three months ended December 31, 2018, the largest contributors to the net unrealized gain on digital assets of \$7.8 million were unrealized gains on holdings of Aion (\$8.6 million), Ethereum (\$8.2 million) and a digital asset sold short (\$8.1 million), partially offset by multiple digital assets with unrealized losses, the largest of which was Bitcoin (\$4.0 million) and EOS (\$2.8 million).

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 three months ended June 30, 2018, the largest contributors to the net unrealized gain on digital assets of \$1.8 million were unrealized gains on holdings of Ethereum (\$20.9 million), BlockV (\$5.8 million) and EOS (\$2.2 million), partially offset by multiple digital assets with unrealized losses, the largest of which was on a digital asset sold short (\$19.8 million).

For the three months ended March 31, 2018, the largest contributors to the net unrealized loss on digital assets of \$85.5 million were unrealized losses on holdings of Wax (\$41.4 million), Ethereum (\$26.4 million) and BlockV (\$15.3 million), partially offset by unrealized gains on a digital asset sold short (\$20.8 million).

Net Unrealized Gain (Loss) on Investments

For the year ended December 31, 2018, the largest contributors to the net unrealized loss on investments of \$8.5 million were unrealized losses on investments in Pantera ICO Fund LP – Class C Interest (\$14.1 million), Hut 8 Mining Corp. (\$11.3 million) and Xapo Holdings Limited - Series A Preferred (\$11.1 million), partially offset by unrealized gains on Block.one - Class A and B common stock (\$20.5 million) and Cryptology Asset Group P.L.C. (\$4.7 million).

For the three months ended December 31, 2018, the largest contributors to the net unrealized loss on investments of \$25.1 million were unrealized losses on investments in Block.one (\$10.4 million), Hut 8 Mining Corp. (\$6.5 million) and Xapo Holdings Limited (\$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 – Class C Interest (\$4.2 million), Xapo Holdings Limited - Series A Preferred (\$2.8 million) and Pantera Venture Fund, L.P. - Class B Interest (\$1.7 million).

For the three months ended June 30, 2018, the largest contributors to the net unrealized gain on investments of \$44.8 million were unrealized gains on investments in Block.one – Class A and B common stock (\$36.5 million), Cryptology Asset Group P.L.C. – common stock (\$4.8 million) and Ripple Labs, Inc. – preferred stock and investment through special purpose vehicle (\$2.7 million).

For the three months ended March 31, 2018, the largest contributors to the net unrealized loss on investments of \$24.0 million were unrealized losses on investments in Pantera ICO Fund LP – Class C Interest (\$9.4 million), Block.one – Class B common stock (\$5.5 million) and Hut 8 Mining Corp. – common stock (\$4.6 million).

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

	Trading	Principal Investing	Asset Management	Advisory Services	Corporate and Other	Totals
Digital assets:						
Cryptocurrency	\$ 20,920,345	\$ 48,844,994	\$ —	\$ —	\$ —	\$ 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
	\$ 20,920,345	\$ 228,210,690	\$ —	\$ —	\$ —	\$ 249,131,035

For the period ended December 31, 2017, the only active segment was trading.

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: Unobservable inputs for the asset or liability. (Unobservable inputs reflect how management's assumptions on market participants would price the asset or liability based on the information available.)

	Level 1	Level 2	Level 3	Total
Cryptocurrency	\$ —	\$ 69,220,031	\$ 545,308	\$ 69,765,339
Pre-ICO	—	3,444,204	—	3,444,204
Convertible Notes	—	1,250,000	—	1,250,000
Preferred Stock	—	56,852,457	2,734,262	59,586,719
Common Stock	65,997	74,837,778	5,580,000	80,483,775
LP/LLC Interests	—	11,588,613	21,659,859	33,248,472
Warrants/Trust Units	23,099	—	1,329,427	1,352,526
Digital Assets Sold Short	—	(18,666,957)	—	(18,666,957)
	\$ 89,096	\$ 198,526,126	\$ 31,848,856	\$ 230,464,078

For the period ended December 31, 2017, the Partnership only held Level 2 cryptocurrency.

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 and common stock investments, the comparable transaction method was used to estimate fair value. This is a market approach that relies on actual performance metrics of the subject company, recently completed transactions in the equity of the subject company that are completed at arm’s-length, and transactions of companies deemed comparable to the subject company. 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 in funds, fair value was based on the net asset value as 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 VC’s conclusion of fair value for an investment on a date may differ significantly from (1) the fair value conclusions of other knowledgeable market participants and/or (2) prior or subsequently observed transaction prices, including the price paid to acquire, or received to sell, the investment itself.

Other

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

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

Level 3 Continuity

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

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

Transfers in and out of Level 3 are considered to have occurred at the beginning of the period. Total transfers into Level 3 was \$1,357,674 and total transfers out of Level 3 was \$14,345,045. The transfers out of Level 3 for cryptocurrency assets and common stock were primarily due to the removal of restrictions for trading.

The carrying values of the Partnership's cash, receivables for digital asset trades, receivables, prepaid expenses and other assets, loans receivable, accounts payable and accrued liabilities, payables for digital asset trades, due to related party and due to exchange approximate fair value due to their short maturities.

Quantitative Information for certain Level 3 Assets

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 determine the fair value of the significant majority of the Partnership's Level 3 Assets. 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 table summarizes the valuation techniques and significant inputs used in the fair value measurement of the Partnership's investments as of December 31, 2018:

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 • 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 11 investments (including loans extended) during the quarter for a total of \$24.2 million. The team monitors the portfolio's concentration on an ongoing basis. As of December 31, 2018, the industry composition of the Partnership's investments, exclusive of cryptocurrency and pre-ICO investments, is as follows:

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

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

For the period ended December 31, 2017, the Partnership had an investment in one cryptocurrency.

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. As of December 31, 2018, 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 \$62.5 million relative to other portfolio investments. As of September 30, 2018, the Partnership considered its 52 total shares of the Class A and B (47 and 5 shares, respectively) common stock of Block.one to be a material investment position due to its fair value of \$72.9 million relative to other portfolio investments. As of June 30, 2018, and March 31, 2018, the Partnership also considered Block.one to be a material investment position.

Select Holdings

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
		\$ 159,923,871	\$ 162,754,849

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

As of September 30, 2018, the largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 72,912,684
*Ripple Labs, Inc.	Preferred Stock	23,804,960	27,564,909
AlphaPoint Corporation	Preferred Stock	14,999,998	14,999,998
Pantera Venture Fund, L.P.	LP/LLC Interests	15,384,643	14,530,000
Hut 8 Mining Corp.	Common Stock	16,920,000	12,085,528
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Silvergate Capital Corporation	Common Stock	7,344,000	7,249,000
Xapo Holdings Limited	Preferred Stock	13,800,000	6,200,000
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
Cryptology Asset Group P.L.C.	Common Stock	877,817	5,685,960
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	5,230,000
		<u>\$ 167,493,990</u>	<u>\$ 181,458,079</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, 2018, the ten largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 72,912,691
*Ripple Labs, Inc.	Preferred Stock	23,804,960	27,564,909
Pantera Venture Fund, L.P.	LP/LLC Interests	15,384,643	16,200,000
AlphaPoint Corporation	Preferred Stock	14,999,998	14,999,998
Hut 8 Mining Corp.	Common Stock	16,920,000	11,100,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	9,440,000
Xapo Holdings Limited	Preferred Stock	13,800,000	9,000,000
Bitfury Group Limited	Preferred Stock	9,000,000	9,000,000
Silvergate Capital Corporation	Common Stock	7,344,000	7,344,000
Templum, Inc.	Preferred Stock	6,000,000	6,000,000
		<u>\$ 166,616,173</u>	<u>\$ 183,561,598</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, 2018, the ten largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Block.one	Common Stock	\$ 41,955,897	\$ 36,456,341
*Ripple Labs, Inc.	Preferred Stock	14,870,000	15,935,000
Pantera Venture Fund, L.P.	LP/LLC Interests	15,384,643	15,384,643
Hut 8 Mining Corp.	Common Stock	16,920,000	12,300,000
Xapo Holdings Limited	Preferred Stock	13,800,000	9,300,000
Pantera ICO Fund LP	LP/LLC Interests	17,406,675	8,024,477
Silvergate Capital Corporation	Common Stock	7,344,000	7,344,000
Templum LLC	LP/LLC Interests	6,000,000	6,000,000
Pantera Venture Fund II, L.P.	LP/LLC Interests	5,122,722	5,122,722
Blockchain Capital IV, LP	LP/LLC Interests	750,000	750,000
		<u>\$ 139,553,937</u>	<u>\$ 116,617,183</u>

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

As of January 9, 2018, the Date of Contribution, the ten largest investments by fair value were as follows:

Investment Name	Investment Type	Cost	Fair Value
Pantera ICO Fund LP	LP/LLC Interests	\$ 17,406,675	\$ 17,406,675
Hut 8 Mining Corp.	Common Stock	16,920,000	16,920,000
Pantera Venture Fund, L.P.	LP/LLC Interests	15,384,643	15,384,643
Xapo Holdings Limited	Preferred Stock	13,800,000	13,800,000
Block.one	Common Stock	9,004,973	9,004,973
FDCI LLC	LP/LLC Interests	6,870,000	6,870,000
Templum LLC	LP/LLC Interests	6,000,000	6,000,000
Pantera Venture Fund II, L.P.	LP/LLC Interests	5,122,722	5,122,722
BIG Blockchain Intelligence Group	Common Stock	1,246,000	1,246,000
Blockchain Capital IV, LP	LP/LLC Interests	750,000	750,000
		<u>\$ 92,505,013</u>	<u>\$ 92,505,013</u>

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.

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.

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

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

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

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.

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

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

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

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.

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.

BIG Blockchain Intelligence Group Inc. – a company that has developed and offers a real-time blockchain agnostic search and data analytics engine.

Blockchain Capital IV, LP – a hedge fund focused on investments in blockchain-related companies and cryptocurrencies / 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.

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

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.

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.

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

The \$10.4 million decrease in the fair value of Block.one during the fourth quarter of 2018 was due to recent transactions completed at a lower valuation than previous quarters.

The \$10.0 million decrease in the fair value of Pantera Venture Fund, L.P. during the fourth quarter of 2018 was due to a \$10.0 million return of capital distribution.

The \$7.5 million decrease in the fair value of AlphaPoint Corporation during the fourth quarter of 2018 was due to an assignment of half of the initial investment to a Galaxy managed fund.

The \$6.5 million decrease in the fair value of Hut 8 Mining Corp. during the fourth quarter of 2018 was due primarily to the decline in its publicly quoted share price.

The \$3.5 million decrease in the fair value of Xapo Holdings Limited during the fourth quarter of 2018 was due primarily to a decline in the value of a certain cryptocurrency held by the company.

The \$2.8 million decrease in the fair value of Xapo Holdings Limited during the third quarter of 2018 was primarily due to a decline in the company's projected operating income compared to the prior quarter.

The \$4.2 million decline in the fair value of the Pantera ICO Fund LP during the third quarter of 2018 was due to the continued decline in the overall cryptocurrency market during that period.

The \$36.5 million Q2 2018 increase in the fair value of Block.one was due to a previously disclosed valuation adjustment to the March 31st fair value, as compared to the fair value as published in the Information Circular dated May 14, 2018. During the second quarter of 2018 there was an independent third-party transaction that corroborated an increase in the value, resulting in fair value of \$72.9 million as at June 30, 2018 that is comparable to the value reported in the Information Circular. Additionally, in the third quarter of 2018 there was another transaction to further corroborate the June 30th valuation.

The \$9.4 million decrease in the fair value of the Pantera ICO Fund LP from January 9, 2018 to March 31, 2018 is due to the decline in the overall cryptocurrency market over that period.

The \$4.5 million decrease in the fair value of Xapo Holdings Limited from January 9, 2018 to March 31, 2018 is due largely to the decline in the price of bitcoin over that period.

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

	Cost		Fair Value	
As of December 31, 2018:				
> \$1 billion market cap	\$	36,847,821	\$	41,941,760
<= \$1 billion market cap		81,836,592		9,156,622
Net	\$	118,684,413	\$	51,098,382
As of September 30, 2018:				
> \$1 billion market cap	\$	85,482,428	\$	82,401,705
<= \$1 billion market cap		87,248,292		8,229,517
Net	\$	172,730,720	\$	90,631,222
As of June 30, 2018:				
> \$1 billion market cap	\$	93,133,571	\$	82,575,472
<= \$1 billion market cap		86,407,341		14,716,544
Net	\$	179,540,912	\$	97,292,016
As of March 31, 2018:				
> \$1 billion market cap	\$	84,311,704	\$	73,196,593
<= \$1 billion market cap		91,369,065		16,943,763
Net	\$	175,680,769	\$	90,140,356
As of January 9, 2018:				
> \$1 billion market cap	\$	105,082,129	\$	105,082,129
<= \$1 billion market cap		100,660,354		100,660,354
Net	\$	205,742,483	\$	205,742,483

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. In addition, assets with less than a \$1 billion market capitalization comparatively declined more than assets with more than \$1 billion of market capitalization in 2018. (See table in *Industry Performance & Outlook for a comparison of the Partnership's digital assets above against the overall cryptocurrency market*)

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

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

As of September 30, 2018, the largest holdings of digital assets by fair value were as follows:

	Quantity		Cost		Fair Value
Bitcoin	9,217	\$	54,118,387	\$	61,095,218
Ethereum	162,010		41,163,221		37,583,432
EOS	1,862,635		15,194,422		10,668,546
Wax	64,186,133		49,421,730		4,364,657
Total		\$	159,897,760	\$	113,711,853

As of June 30, 2018, the largest holdings of digital assets by fair value were as follows:

	Quantity		Cost		Fair Value
Bitcoin	5,675	\$	37,311,052	\$	36,155,545
Ethereum	75,760		39,733,163		34,248,449
EOS	1,919,163		18,188,826		15,558,567
Wax	64,186,133		49,421,728		7,410,995
Total		\$	144,654,769	\$	93,373,556

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

	Quantity		Cost		Fair Value
Ethereum	82,940	\$	59,281,801	\$	32,882,097
Bitcoin	4,272		30,214,542		29,790,970
EOS	2,092,790		17,414,651		12,542,069
Wax	64,186,133		49,421,730		8,041,306
Total		\$	156,332,724	\$	83,256,442

As of January 9, 2018, the Date of Contribution, the largest holdings of digital assets by fair value were as follows:

	Quantity		Cost		Fair Value
Bitcoin	5,902	\$	89,540,044	\$	89,540,044
Ethereum	57,000		65,466,095		65,466,095
Wax	65,193,332		50,275,331		50,275,331
BlockV	78,629,941		17,372,727		17,372,727
Total		\$	222,654,197	\$	222,654,197

In the above tables, bitcoin, ethereum and EOS are >\$1 billion market cap; Monero, Wax and BlockV are <= \$1 billion market cap.

Above tables should be read in conjunction with discussion on [pg. 15] (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 year end balances represented by exchanges. As at December 31, 2018, the Partnership held approximately \$21.5 million in cash and \$64.3 million in digital assets at exchanges or custodians. The Partnerships due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies by the Partnership's chief compliance officer, obtaining a security ratings report by an independent third-party on certain exchanges, constant review of market information specifically regarding the exchanges security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move cash and digital assets held on an exchange in instances where risk exposure significantly changes. The Partnership limits its credit risk with respect to its receivables, receivables for digital asset trades, and loans receivable by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regards to OTC counterparties for the trading business, on which the Partnership has satisfactorily performed the relevant AML and KYC procedures. As of December 31, 2018 and subsequently, none of the Partnership's loans are in default. 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 December 31, 2018, 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 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 investing 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 interest 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 November 2018 loan facility to borrow certain cryptocurrencies from a counterparty and RLA with a related party was at a fixed rate of interest, and its facility to borrow certain cryptocurrencies from a counterparty 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 alternate base rate loan or a eurodollar loan. The Partnership's remaining loans all have fixed rates however in some cases can be settled in digital assets at the option of the borrower. As of December 31, 2018, 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. The Partnership intends to manage its short-term liquidity needs through the financing proceeds raised under the Arrangement. As of December 31, 2018, 28% of the Partnership's net portfolio was in liquid, actively traded cryptocurrency which can be monetized at reasonable prices in short order.

Foreign Currency Risk

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

control regulations. During the year, the Partnership minimized its exposure to a portion of the escrowed financing proceeds that were denominated in Canadian dollars. Furthermore, throughout the year, the Partnership minimizes exposure to digital assets transactions completed in foreign currencies by entering into foreign currency swaps. 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.

Market Risk

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

As of December 31, 2018, 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 +/- \$17.9 million.

Digital Asset Risk

Digital assets are measured at fair value less cost to sell. Digital currency or cryptocurrency prices are affected by various forces including global supply and demand, interest rates, exchange 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. Values of cryptocurrencies 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. Cryptocurrencies have a limited history and fair value historically has been volatile. Historical performance of cryptocurrencies is not indicative of their future performance.

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

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

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

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

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

Loss of access risk

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

Irrevocability of transactions

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

Hard fork and air drop risks

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

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

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

Regulatory oversight risk

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

Expenses

The Partnership's operating expenses for the three months and year ended December 31, 2018 were as follows:

	Three months ended December 31, 2018	Three months ended September 30, 2018	Three months ended June 30, 2018	Three months ended March 31, 2018	Year ended December 31, 2018
Equity based compensation	\$ 16,970,808	\$ 14,311,084	\$ —	\$ —	\$ 31,281,892
Compensation and compensation related	7,728,038	5,031,095	7,808,602	6,307,582	26,875,317
General and administrative	6,142,938	2,671,498	1,490,397	1,472,623	11,777,456
Professional fees	1,999,926	6,161,619	1,455,082	1,774,900	11,391,527
Interest	503,668	1,310,341	2,325,574	658,754	4,798,337
Insurance	435,616	480,675	536,790	735,000	2,188,081
Director fees	25,000	25,000	—	—	50,000
Totals	<u>\$ 33,805,994</u>	<u>\$ 29,991,312</u>	<u>\$ 13,616,445</u>	<u>\$ 10,948,859</u>	<u>\$ 88,362,610</u>

Equity based compensation was the largest operating expense for the three months and year ended December 31, 2018. Certain officers and employees of the Partnership were awarded equity based awards (Partnership compensatory Class B Units awards and stock options) during the fourth quarter of 2018. 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.

Compensation and compensation related is the second largest operating expense for the three months and year ended December 31, 2018. This total is inclusive of base compensation and accrued bonuses, placement fees, payroll taxes, benefits, consultants and temporary staff. The increase for the three months ended December 31, 2018 is due to a retroactive reduction in the bonus accrual in the third quarter of 2018.

General and administrative costs increased during the fourth quarter of 2018 compared to the third quarter of 2018. This amount is inclusive of technology, occupancy, travel and entertainment, fund administration, compliance, public relations and other. The increase during the fourth quarter of 2018 is due to (i) non-recurring expenses recognized in connection with previous capital raising activities, (ii) reimbursement of expenses related to GDH Ltd., and (iii) one time organizational costs related to the launch of a consolidated subsidiary.

Professional fees decreased during the fourth quarter of 2018 due primarily to the \$5.4 million of legal fees incurred in connection with the closing of the Arrangement in the third quarter of 2018. The remaining professional fees are costs associated with legal, audit, tax and valuation services.

Upon closing of the Arrangement 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. A majority of the remaining interest expense consists of interest accrued on the financing of a digital asset sold short.

Operating expenses for the year ended December 31, 2018 were \$88.4 million and are inclusive of \$31.3 million of equity based compensation as well as \$11.7 million of non-recurring expenses in connection with the formation and start-up of the Partnership. The \$11.7 million of non-recurring expenses are inclusive of legal fees incurred in connection with the closing of the Arrangement (\$5.4 million), placement fees (\$2.2 million), interest incurred primarily on the GGI bridge loan (\$2.2 million), travel and entertainment related costs largely incurred in connection with the Arrangement (\$1.2 million) and organizational costs (\$0.7 million).

Goodwill

When GDH LP completed its business combination with First Coin, it initially recorded a goodwill of \$6,216,914. Goodwill represented the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributed to the expected synergies from combining operations with GDH LP and the expected future cash flows of the business.

During the third quarter 2018, the Partnership performed an impairment test using a one-step approach to determine if the goodwill was impaired. The impairment loss is the amount by which the cash-generating units carrying amount exceeds its recoverable amount. The Partnership impaired the full amount of goodwill and recorded an expense of \$6,216,914 for the year ended December 31, 2018. Based on the regulatory framework and the opportunities it is currently seeing, the Partnership decided to reposition its advisory business from focusing on small 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. The Partnership does not expect to realize any of the benefits contemplated when the Arrangement was entered into earlier in the year.

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).

	December 31, 2018	September 30, 2018	As of June 30, 2018	*As of March 31, 2018
Estimated working capital	\$ 52.7	\$ 77.3	\$ 10.3	\$ 35.0
Private placement proceeds	0.0	0.0	229.2	229.0
Payoff RLA & accrued interest	0.0	0.0	(111.0)	(86.0)
General overhead expenses – next 12 months	(45.0)	(40.0)	(50.0)	(40.0)
Capital to Trading business	0.0	(4.8)	(50.0)	(50.0)
Capital to Principal Investments business	(28.1)	(32.5)	(28.5)	(50.0)
Capital to Asset Management business	0.0	0.0	0.0	(35.0)
Cash to balance sheet	0.0	0.0	0.0	(3.0)
	\$ (20.4)	\$ 0.0	\$ 0.0	\$ 0.0
Digital Assets, net	51.1	90.6	97.3	90.1
	\$ 30.7	\$ 90.6	\$ 97.3	\$ 90.1

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

Working capital above is calculated as the sum of cash, receivables, due from broker, prepaid expenses and other assets; less accounts payable and accrued liabilities, due to related party, payable for unsettled digital asset trades, and due to exchange.

As the borrowings on the RLA increased primarily to make principal investments, a larger portion of the private placement proceeds was utilized to pay off the RLA, which impacted the amount of capital available to deploy into the business segments. On July 31, 2018, the Partnership repaid \$88.7 million, consisting of \$87.4 million principal and \$1.3 million accrued interest. On August 1, 2018, the Partnership repaid \$25.7 million, consisting of \$25.0 million principal and \$0.7 million accrued interest. There is no longer an outstanding balance under the RLA. Net incremental cash to the Partnership after repayment of the RLA was \$114.8 million.

As of December 31, 2018, the Partnership had total equity of \$305.7 million compared to \$386.5 million as of September 30, 2018, \$204.7 million as of June 30, 2018, \$169.7 million as of March 31, 2018 and \$1.7 million as of December 31, 2017. The decrease in capital during Q4 2018 was primarily due to the net comprehensive loss for the quarter.

	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
Total assets	\$ 349,924,275	\$ 435,504,463	\$ 356,133,147	\$ 281,708,813	\$ 54,748,457
Total liabilities	(44,236,106)	(48,985,229)	(151,404,681)	(111,963,379)	(53,006,648)
Non-controlling interests	4,167,578	6,736,570	—	—	—
Partner's Capital	\$ 301,520,591	\$ 379,782,664	\$ 204,728,466	\$ 169,745,434	\$ 1,741,809

Additionally, as of December 31, 2018, the Partnership had cash of \$66.5 million and \$51.1 million of net digital assets. As of September 30, 2018, the Partnership had cash of \$90.3 million and \$90.6 million of net digital assets. As of June 30, 2018, the Partnership had cash of \$30.4 million and \$97.3 million of net digital assets. As of March 31, 2018, the Partnership had cash of \$41.8 million and \$90.1 million of net digital assets. Management believes that the Partnership has sufficient financial resources to maintain its operations and activities for the upcoming year.

On April 18, 2019, the Partnership tendered a portion of its investment in the ordinary shares of Block.one, at a price that is 30% above the December 31, 2018 valuation contained herein. 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 may capture unrealized appreciation 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, is currently 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 continues to use the proceeds from the private placement 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

The Partnership may provide for commitments to portfolio companies for investments in existing or new assets. As of December 31, 2018, the Partnership had obligations to four existing portfolio companies for \$28.1 million, of which \$2.1 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.

As of December 31, 2018, 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. 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 balance remaining outstanding under the RLA.

For the year ended December 31, 2018, from time to time 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 investments.

Compensation of Key Management Personnel

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

	Year ended December 31, 2018	For the period from formation on November 30, 2017 to December 31, 2017
Equity based compensation	\$ 23,228,115	\$ —
Base compensation and accrued bonuses*	7,251,600	—
Benefits	344,108	—
Total	\$ 30,823,823	\$ —

*For the year ended December 31, 2018, amounts include approximately \$3.6 million of accrued bonuses within accounts payable and accrued liabilities.

During the year ended December 31, 2018, the Partnership entered into an agreement with an entity owned by a member of key management for software development consulting services. The Partnership had incurred \$355,633 during the year ended December 31, 2018 under this agreement, of which \$84,921 are included in accounts payable and accrued liabilities at year end.

Employment Related

Galaxy Investment Partners LLC (“GIP”), an entity wholly-owned by the Partnership’s CEO, 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

As of December 31, 2018, the Partnership had commitments under an operating sublease. 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 is 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 year ended December 31, 2018, \$0.4 million of rent expense related to this sublease was included in general and administrative expense (total rent expense of the Partnership for the year, including this sublease, was \$1.3 million). The Partnership has operating lease commitments for the next five years as follows:

	Rent Due
2019	768,152
2020	791,197
2021	814,932
2022	839,380
2023	864,562
Total	\$ 4,078,223

Additionally, the Partnership has \$4.2 million in total commitments under the sublease for the period from 2024 to the expiration of the sublease term on June 30, 2028.

Other

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

As of December 31, 2018, the Partnership's CEO served as a director of a cryptocurrency mining and blockchain infrastructure company, resulting in the Partnership and the company being related parties. 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 December 2018, the Partnership entered into a share sale and transfer agreement with a fund that it manages for an amount of \$7.5 million. The transaction with the related party resulted in no gains or losses. The value of the transaction was determined using the Partnership's normal investment valuation process.

Effective December 31, 2018, the Partnership's president transitioned out of his role and is now serving as an independent director and member of the Board of Managers of Galaxy Digital Holdings GP LLC.

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 \$5.6 million, as of December 31, 2018, in that company.

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

Change in Accounting Policies including Initial Adoption

The following accounting policies, except for equity based compensation, business combination, and non-controlling interest were initially adopted and applied in the Partnership's consolidated financial statements for the three months ended March 31, 2018.

Cash

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of 90 days or less when acquired. As of December 31, 2018 and 2017, the Partnership did not classify any balances as cash equivalents.

Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and, where applicable, the initial estimation of any asset retirement obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is recognized in profit or loss on a straight-line basis over the following estimated useful lives:

Furniture and fixtures	10 years
Office equipment	6 years
Computer equipment	5 years
Leasehold improvements	straight line over the shorter of the lease term or life of the asset

Any item of equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the period the asset is derecognized. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted if necessary.

Revenue recognition

The Partnership recognized revenue from advisory services, management fees and interest earned on loans receivable. Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the fair value of the consideration to which the Partnership expects to be entitled to upon completion of the Partnership's performance obligation for those goods or services. Revenue from services performed is recognized when the amount of revenue can be measured reliably, and it is probable that the economic benefits associated with the transaction will flow to the Partnership.

The Partnership recognizes revenue from the provision of advisory services upon completion of the delivery of the services stated in the contract. The Partnership earns management fees on each of its managed funds at a fixed percentage of invested capital, committed capital or ending capital, as defined in each of the respective funds. Management fees are recognized based on contractual terms specified in the underlying investment agreements. The Partnership recognizes interest income on an accrual basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of each of the operating segments.

Financial instruments

Financial assets

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

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables, receivable for digital asset trades and loans receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and investments are classified as FVTPL.

Impairment

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

Financial liabilities

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, payable for digital asset trades, due to related party and due to exchange are classified as other financial liabilities and carried on the statement of financial position at amortized cost. Digital assets sold short are classified as FVTPL.

Digital assets

The Partnership’s digital assets are primarily traded in active markets and are purchased with the intent to resell in the near future, generating a profit from the fluctuations in prices or margins. As a result, the Partnership has determined that its holding of digital assets should be accounted for under IAS 2, *Inventories*, and it meets the definition of a commodity broker-trader. Under IAS 2, digital assets are measured at fair value less cost to sell, with changes in fair value recognized in profit or loss. In accordance with IAS 2, commodity broker-traders are those who buy or sell commodities for others or on their own account. The inventories held by commodity broker-traders are principally acquired for the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders’ margin. As these inventories are measured at fair value less costs to sell, they are excluded from only the measurement requirements of IAS 2.

The Partnership recognizes realized gains or losses on its digital assets when it either sells digital assets that it holds or buys digital assets to close out a short position.

More specifically, with respect to arbitrage trading, realized gains or losses are recognized on the sale of the digital assets and there are generally no related receivables or payables as the times of trade and settlement are virtually similar. Realized gains or losses from OTC trading with counterparties are recognized once terms of the trade have been mutually agreed and confirmed. Given that the times of trade and settlement can differ, this can create receivables or payables for unsettled digital asset trades.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the lessee obtains ownership of the asset at the end of the lease term. All other leases are classified as operating leases.

The Partnership records rent expense on its operating sublease in accordance with IAS 17, *Leases*. The Partnership records an expense on a straight-line basis over the lease term.

Equity based compensation

Stock Options

The Partnership accounts for stock options granted to directors, officers and employees at the fair value of the options granted. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and equity based compensation is accrued and charged to operations, with an offsetting credit to partners' capital, over the respective vesting periods. Equity based payment to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity based payment is expensed on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity. Stock options granted to non-employees are measured at the fair value of goods or services rendered or at the fair value of the instruments issued, if it is determined that the fair value of the goods or services received cannot be reliably measured.

Compensatory Class B Units

The Partnership accounts for Class B Units granted to officers and employees at the fair value of the Class B Units granted. Accordingly, the fair value of the Class B Units at the date of the grant is determined using an applicable valuation model and equity based compensation is accrued and charged to operations on a staged (or graded) vesting basis, based on the Partnership's estimate of equity instruments that will eventually vest, with a corresponding increase in partners' capital. At the end of each reporting period, the Partnership revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Income (loss) per unit

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

In the periods when the Partnership reports a net loss, the effect of potential issuances of units under stock option and compensatory Class B Unit plans is anti-dilutive. Therefore basic and diluted loss per unit are the same.

Foreign currency transactions

Transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at exchange rates at the reporting date, with any differences arising recorded in profit or loss.

Business combination

The Partnership accounts for business combinations using the acquisition method. The consideration transferred and the identifiable assets acquired and liabilities assumed of the acquiree are measured and recognized at the acquisition-date fair value.

Goodwill is measured as the excess of the consideration transferred over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the cost of the acquisition is less than the fair value of the net assets acquired, the difference is recognized directly in profit or loss.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. For impairment testing, the goodwill is allocated to a cash generating unit. The goodwill is tested for impairment annually, or more frequently when there is an indication that there may be an impairment. If the recoverable amount of the cash generating unit is less than the carrying amount of the goodwill, the impairment loss is first allocated to reduce the amount of goodwill and to the other assets of the unit

pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss and any impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-controlling interest

Non-controlling interest in the Partnership's less than wholly owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Partnership. Subsequent to the original transaction date, adjustments are made to the carrying amount of non-controlling interest for the non-controlling interest's share of changes to the subsidiary's equity. Changes in the Partnership's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interest is adjusted to reflect the change in the non-controlling interest's relative interest in the subsidiary, and the difference between the adjustment to the carrying amount of non-controlling interests and the Partnership's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to owners of the Partnership.

Investments in subsidiaries

Subsidiaries are all entities over which the Partnership has control. The Partnership controls an entity when the Partnership is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The Partnership has determined that it is not an investment entity as defined within IFRS 10, *Consolidated Financial Statements*. As such, the Partnership consolidates its subsidiaries rather than accounting for them at fair value through profit or loss. Subsidiaries are fully consolidated from the date on which control is transferred to the Partnership. They are deconsolidated from the date that control ceases. Intercompany transactions and balances are eliminated.

New accounting policies

Effective January 1, 2018, the Partnership adopted the following accounting standards:

IFRS 9, *Financial Instruments* ("IFRS 9")

IFRS 9 was issued by the IASB in July 2014 and has replaced IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes significant changes to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018. The Partnership adopted the standard retrospectively. IFRS 9 did not impact the Partnership's classification and measurement of financial assets and liabilities.

The following summarizes the significant changes in IFRS 9 compared to the current standard:

- IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value. The classification and measurement of financial assets is based on the Partnership's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. The change did not impact the carrying amounts of any of the Partnership's financial assets on the transition date. Prior periods were not restated and no material changes resulted from adopting this new standard.
- The adoption of the new "expected credit loss" impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had no impact on the carrying amounts of financial assets on the transition date.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

In May 2014 the IASB approved IFRS 15, *Revenue from Contracts with Customers*, which specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, *Revenue*, IAS 11, *Construction Contracts*, and a number of revenue related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers, except for leases, financial instruments and insurance contracts. Application of IFRS 15 is mandatory for annual periods beginning on or after January 1, 2018. The adoption of IFRS 15 on the Partnership's consolidated financial statements did not have a material impact.

Accounting pronouncements adopted on January 1, 2019

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 will adopt this standard as of January 1, 2019, the date of initial application. On initial application of the standard, the Partnership will use the practical expedient in IFRS 16 with regards to the definition of a lease and will apply IFRS 16 to the lease previously classified as an operating lease under IAS 17. The Partnership will apply 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 estimates that it will recognize a lease liability of approximately \$4.8 million for leases previously classified as an operating lease applying IAS 17. The lease liability will be 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 estimates it will recognize 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 financial statements for the year ended December 31, 2018, represents the financial position of the Partnership and do not include all of the assets, liabilities, income and expenses of the partners. Income taxes are the responsibility of the partners and not GDH LP.

As of December 31, 2018 and April 26, 2019, the Partnership has two classes of ownership interests, namely Class A Units and Class B Units. As of December 31, 2018, there were 65,117,305 Class A Units and 215,713,955 Class B Units outstanding. As of April 26, 2019, there were 65,698,364 Class A Units and 218,473,285 Class B Units outstanding.

Equity Based Compensation Awards and Other

As of December 31, 2018, 28,165,507 Class B Unit awards were outstanding net of exchanges and forfeitures of which, 523,800 Class B Units were exercisable.

As of December 31, 2018, and April 26, 2019, 21,691,035 options granted under the GDH Ltd. stock option plan were outstanding, including new option grants and net of forfeitures of which 50,366 and 5,259,787 respectively, were exercisable as of December 31, 2018 and April 26, 2019..

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