

Crossgate Capital Limited

Asset Valuation Policy

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1. Purpose

The purpose of this policy is to set out the principles and methodology used for asset valuation of Crossgate Capital assets.

2. Background

Crossgate Capital is a New Zealand company established to make long-term investments into cryptographically secured digital assets. The Board is responsible for the valuation of the assets of Crossgate Capital. This includes valuing the assets of Crossgate Capital for the purposes of quarterly reporting, raising capital (at each and every Valuation Day) and calculating both Management Fees and Performance Fees. Crossgate Capital's Valuation Policy can be found in the Disclose Register at www.business.govt.nz/disclose under Crossgate Capital's offer number (OFR12554).

3. Valuation of Assets

The overarching principle of the asset valuation policy is that individual asset valuations should accurately reflect the value of that asset from a recognised source at a particular valuation day.

Each of the asset types held will have documented process to ensure valuations are applied consistently. There is subsequent assurance checks made to confirm the correct processes are being followed and the accuracy of information used to determine the valuation.

Company Valuation

Company Valuation is a non-GAAP measure. The Company Valuation is used to determine the Share Price, fees to the Manager and for Quarterly Reporting purposes. The following mechanism will be used to determine, on a consistent basis, the Company Valuation.

- BCM will use a public exchange to determine the value of each asset, which will be converted into New Zealand Dollars at the prevailing exchange rate. If a public exchange does not provide a value for the crypto asset(s), or if for any other reason the Board determines in good faith that an alternative provider of exchange is preferable, then that exchange will be used. If no current pricing is available for a crypto asset, the last price will be used, unless the Board determines in good faith that another price more accurately reflects the true market price.
- income accruing from investments or a proper proportion thereof relative to the Business Day in which income is being determined to the extent such income is not included in the previous parts of this definition.

and by deducting from such aggregate the total of:

- liabilities (excluding contingent liabilities) of Crossgate Capital;
- the aggregate of any income entitlements to the extent that they have not been paid or a provision made for their payment;
- all costs, charges and other amounts incurred or accrued or which will be incurred in holding or administering the investments of Crossgate Capital or a proper proportion of any of the foregoing having regard to the Business Day on which the cost, charge or other amount is being determined in relation to the period to which it relates;
- the amount of any moneys held in respect of applications that have not been accepted or that have been rejected to the extent that such moneys have been included in the investments of Crossgate Capital;
- any provision for any expenses that BCM anticipates are or will be payable or reimbursable from Crossgate Capital, which in the opinion of BCM should be included in such aggregate for the purpose of making an equitable and reasonable determination of the Company Value of Crossgate Capital but for clarity will exclude contingent liabilities.

The calculation includes non-GAAP measures. In accordance with regulations, external annual financial audit requirements will provide an independent review of valuation calculations which will provide assurance to Shareholders that the governing documents provisions are being adhered to in all respects.

BCM's involvement in the valuation process presents an underlying conflict as BCM's Management Fee is based on Crossgate Capital's assessed Company Value, which is directly impacted by the carrying values of Crossgate Capital's investments. BCM's Performance Fee is also based on the value of Crossgate Capital's investments. These conflicts are currently addressed by the Board by reference to the 'Related Party and Conflict of Interests' policy.

The other constituents of the Company Value is referenced in the Product Disclosure Statement.

Additional information regarding the management of Crossgate Capital is contained within the Management Agreement between Crossgate Capital and BCM. These document can be found in the Disclose Register at www.business.govt.nz/disclose under Crossgate Capital's offer number (OFR12554).

4. Management of Pricing Risks

As a control measure, the Manager will undertake a reasonableness check by reference to a publicly exchange to ensure the accuracy of the pricing utilised in the asset valuation calculation.

Unless otherwise determined by the Board, the control exchanges may include;

CoinMarketCap

This source provides up-to-the-minute updates for all market data found on the site. Every

minute, the various exchanges are queried for their most recent market data. All data is run through several data cleaning and verification algorithms to ensure data integrity.

In the event that the report from the exchange used to purchase Crossgate's assets derives its pricing from CoinMarketCap, then the following control exchange will be used.

Brave New Coin (BNC)

Brave New Coin (BNC) is a data and research company focused on the blockchain and cryptographic assets industry. Founded in 2014, BNC provides data, analysis and research to a global network of market participants.

The prevailing exchange rate will be used, which will be sourced from xe.com (or any other reputable foreign exchange source).

The Manager will provide to the Board a report which contains all supporting evidence to enable the Board to approve the fair value of the assets. To ensure transparency, the Manager will ensure these records are kept for a period of seven years and are available for inspection.

The use of publicly available data as a control mechanism, provides for a greater level of transparency.

5. Tracking Digital Asset Balances

The Manager also intends to maintain a database of all the Crossgate Capital's public keys (wallet addresses). The intent is that the cryptocurrency balances for each asset will be pulled directly from the blockchain. The Manager will request that the exchanges used by Crossgate Capital to purchase digital assets, attains this data via an automated script, scraping the information from each cryptocurrencies respective block explorer. Using the blockchain directly will ensure accuracy and avoid any unnecessary accessing of cold storage to verify balance.

This approach provides additional transparency to Shareholders because they can access block explorers themselves and verify AUM directly. The ability to independently verify balances and transactions is a facility which is not available with traditional asset classes.

Transparency of this level will be beneficial for Shareholders as it will enable them to independently verify the asset valuations and also fees which are charged to the company by the Manager.

6. Valuation Timing

The valuation of assets will occur at each valuation day, for the purposes of calculating fees payable to the Manager and for the additional purposes of;

- a) Disclosure in Financial Statements
- b) Disclosure in quarterly reporting to shareholders; and
- c) When required by another event

7. Related Party Transactions

Related party transactions will follow the process outlined in the Related Party Policy. As noted above, BCM's involvement in the valuation process presents an underlying conflict as BCM's Management Fee's and Performance Fees are based on Crossgate Capital's assessed Company Value, which is directly impacted by the carrying values of Crossgate Capital's investments.

For the beneficial interests of Shareholders, in the event the control exchange provides for a lower valuation, then this valuation, in all instances, will be used when quantifying the Management Fee and Performance Fee payable to the Manager.

The Management Agreement and Product Disclosure Statement outline the terms and conditions of the Management and Performance fees payable.

8. Financial Reporting

Quarterly updates will be provided to all Shareholders outlining the performance of the assets and any other material information that would enable the Shareholders to be duly informed.

The annual financial statements of Crossgate Capital are prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP) and comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), as appropriate for profit-oriented entities.

In accordance with these requirements, the financial statements will be prepared on a 'fair value' basis. NZ IFRS defines fair value as an estimate of the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

9. Review of Policy

The Asset valuation and Pricing Policy will be reviewed annually by the Board or more frequently if required.

The policy is subject to change at any time.