



21SHARES

REPLACEMENT PRODUCT DISCLOSURE STATEMENT

12 April 2022

ETFS 21Shares Bitcoin ETF (EBTC) (ARSN: 653 122 215)

ISSUER AND RESPONSIBLE ENTITY:
ETFS MANAGEMENT (AUS) LIMITED ACN 150 433 828 AFSL NO.466778

Important Information

IMPORTANT NOTICE TO RECIPIENT

ABOUT THIS DOCUMENT

This Replacement Product Disclosure Statement (“PDS”) is dated 12 April 2022 and has been prepared by ETFS Management (AUS) Limited ACN 150 433 828 and AFSL number 466778, (“ETFS”) or (the “Responsible Entity”) who is responsible for its content. This PDS replaces the Product Disclosure Statement dated 29 November 2021.

This PDS sets out information about and is an offer document for Coin Interests in the ETFS 21Shares Bitcoin ETF (the “Fund”). The ETFS 21Shares Bitcoin ETF is a registered managed investment scheme and a copy of this PDS has been filed with the Australian Securities and Investments Commission (“ASIC”).

Investments in Coin Interests are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither ETFS, ETFS Capital Limited nor any other member of the ETFS Capital Group, and none of Jura Pentium AG, 21Shares AG nor any member of the 21Shares Group of companies guarantees the performance of any products issued by ETFS or the repayment of capital or any particular rate of return therefrom.

As at the date of this document an application has been made to Cboe Australia Pty Ltd (“Cboe”) for Coin Interests to be traded on the Cboe market. A copy of this PDS has been lodged with both ASIC and Cboe. No responsibility as to the contents of this PDS is taken by ASIC or Cboe.

ABOUT THE OFFER

Creation Requests for Coin Interests in the Fund are only available to Authorised Participants who have been authorised as ‘trading participants’ under the Cboe Operating Rules or who are otherwise authorised by Cboe to access the Cboe market through a trading participant. The offer contained within this PDS is therefore made to Authorised Participants only.

Any other investors may not apply for Coin Interests in the Fund via this PDS, however Coin Interests can be purchased in the secondary market on the Cboe market via a broker, investment advisor or Cboe participant. Although non-Authorised Participants cannot submit Creation Requests under this PDS, the PDS may be used for information purposes.

This PDS does not constitute an offer or invitation in relation to the Fund in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS may be restricted by laws of places where it is distributed and therefore persons into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. Failure to comply with

relevant restrictions may violate those laws. No cooling off period applies to investment in the Fund.

Information in this document is subject to change from time to time. To the extent that the change is not materially adverse to Holders, it may be updated by the Responsible Entity posting a notice of the change on the Responsible Entity’s website at www.etfsecurities.com.au. In addition, any material updates will also be notified to Holders through the Cboe announcements platform. The Responsible Entity will provide to Holders, free of charge, a paper copy of the updated information upon request. Please refer to the “Corporate Directory” at Section 13 of this PDS for contact details of the Responsible Entity.

CONTINUOUS OFFER NOTICE

The Offer (being the invitation made to the Authorised Participants under this PDS) is a continuous offer made during the term of this PDS. There is no minimum subscription condition that must be fulfilled before the Coin Interests offered will be issued.

As a disclosing entity, the Responsible Entity is subject to regular reporting and disclosure obligations in respect of the Fund. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office. People have the right to obtain a copy of the following documents during the application period for the PDS:

- > the annual financial report most recently lodged with ASIC by the Fund (if any);
- > any half-year financial report lodged with ASIC by the Fund after lodgement of that annual financial report (if any); and
- > any continuous disclosure notices given by the Fund after the lodgement of that annual financial report.

Such information may be obtained from, or inspected at, an ASIC office and shall also be available for download free of charge from the Fund’s website www.etfsecurities.com.au. Upon request, the Fund shall also make a hard copy of the documents available free of charge to anyone who asks during the application period for the PDS.

CBOE OPERATING RULES FRAMEWORK

An application has been made to Cboe for Coin Interests in the Fund to be traded on the Cboe market under the Cboe Operating Rules as investment products. The Cboe Operating Rules are available at www.cboe.com.au. The following table highlights the key differences between securities of a listed entity, as that term is defined in the Corporations Act, and an investment product that is quoted on the Cboe market. For this purpose, the Corporations Act provides that a company, managed investment scheme or other body is listed if it is included in the official list of a prescribed financial market operated in this jurisdiction.

REQUIREMENT	SECURITIES OF LISTED ENTITIES	INVESTMENT PRODUCTS QUOTED UNDER CBOE OPERATING RULES
Control	<p>A listed entity has control over the operation of its business and in doing so can influence the value of its own securities. For example, the management and the board of a listed entity may carry out corporate actions that have a direct impact on security prices, or can make decisions affecting business performance that in turn impact security prices.</p>	<p>An investment product quoted on the Cboe market is typically an investment vehicle through which investors obtain exposure to underlying assets.</p> <p>An issuer of an investment product quoted under the Cboe Operating Rules typically controls the allocation of the investment product's funds among underlying assets, but does not directly influence the value of the underlying assets. Instead, the value of the underlying assets (and by extension the value of the investment product) is dependent on the performance of the underlying assets rather than the financial performance of the issuer itself.</p>
Continuous disclosure	<p>Listed entities are subject to the continuous disclosure requirements under section 674 of the Corporations Act and, in the case of entities listed on ASX, ASX Listing Rule 3.1.</p>	<p>Issuers of investment products quoted under the Cboe Operating Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>There is a requirement under Rule 14.29 of the Cboe Operating Rules that an issuer of an investment product quoted under the Cboe Operating Rules provides Cboe with any information that is not generally available and that may lead to the establishment of a false market in its products or would otherwise impact the price of its products.</p> <p>Under the Cboe Operating Rules issuers of quoted investment products must also disclose certain specific information including:</p> <ul style="list-style-type: none"> (a) information about the Fund's NAV each Business Day; (b) the Fund's NAV whenever the issuer's management activities cause the Fund's NAV to move by more than 10% since the last reported NAV; (c) information about redemptions; (d) information about distributions paid to Holders and any distribution statements (or information) made available or provided to Holders; and (e) any other information that is required to be disclosed to ASIC under s675 or 1017B of the Corporations Act, or would be required to be disclosed to ASIC under s323DA of the Corporations Act if the Responsible Entity or the Fund were listed.

Important Information

<p>Periodic disclosure</p>	<p>Entities listed on ASX market are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX market Listing Rules.</p>	<p>Under Cboe Operating Rules, issuers are not required to disclose their half yearly and annual financial information or annual reports. Responsible entities of registered managed investment schemes quoted on Cboe are, however, still required to lodge financial reports for those managed investment schemes with Cboe at the same time as they are provided to ASIC and investors (as required under Chapter 2M of the Corporations Act).</p> <p>In addition, under the Cboe Operating Rules issuers of quoted investment products must also disclose each month:</p> <ul style="list-style-type: none"> (a) information about the total number of Coin Interests of the investment product on issue; and (b) where the Fund's aggregate notional exposure to all OTC derivatives is greater than 5% of the Fund's NAV, certain information about the Fund's OTC derivative exposure.
<p>Corporate control</p>	<p>Requirements in the Corporations Act and ASX Listing Rules in relation to matters such as replacement of a responsible entity, takeovers, buy-backs, change of capital, new issues, restricted securities, directors' interests and substantial shareholding disclosures apply to companies and schemes listed on the ASX.</p>	<p>Many of the requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to listed entities do not apply to investment products quoted under the Cboe Operating Rules.</p> <p>As the Fund is a registered managed investment scheme, the Responsible Entity is still required to comply with the provisions of the Corporations Act including that the Responsible Entity may be removed by an extraordinary resolution of members.</p>
<p>Related party transactions</p>	<p>Entities listed on the ASX are subject to Chapter 10 of the ASX Listing Rules, which contains restrictions on transactions between an entity and persons in a position to influence the entity.</p>	<p>Chapter 10 of the ASX Listing Rules does not apply to investment products quoted under the Cboe Operating Rules.</p> <p>The Responsible Entity is still required to comply with Chapter 2E and Part 5C.7 of the Corporations Act in respect of the Fund.</p>
<p>Auditor rotation requirements</p>	<p>There are specific requirements regarding auditor rotation in Division 5 of Part 2M.4 of the Corporations Act applying to listed entities.</p>	<p>Issuers of investment products quoted under the Cboe Operating Rules are not subject to the requirements in Division 5 of Part 2M.4 of the Corporations Act.</p> <p>Under the Corporations Act the Responsible Entity is still required to appoint an independent auditor to carry out audits of the Fund's financial statements and the Fund's compliance plan.</p>

Compensation

Retail investors who suffer loss as a result of the misappropriation or fraudulent misuse of their money, property or authority by a Cboe participant, may be eligible to claim compensation under the Cboe compensation arrangements.

In certain circumstances, the National Guarantee Fund operated by the Securities Exchanges Guarantee Corporation (“SEGC”) may apply to the loss. Please refer to the SEGC’s website at www.segc.com.au for further information.

CHESS

The Clearing House Electronic Subregister System (“CHESS”) performs two major functions in relation to trading on Cboe:

- (a) facilitates the clearing and settlement of trades in products quoted on Cboe; and
- (b) provides an electronic subregister for products quoted on Cboe.

The Registrar will maintain an electronic subregister with CHESS on behalf of ETFs (the “CHESS sponsored” subregister) in addition to maintaining an “issuer sponsored” subregister. ETFs will not issue investors with certificates in respect of their Coin Interests. Rather, when investors purchase Coin Interests on Cboe, they will either receive a holding statement from the Registrar which will set out the number of Coin Interests they hold, together with the ‘Securityholder Reference Number’ (for holders on the issuer sponsored subregister) or a holding statement which will set out the number of Coin Interests they hold, together with a ‘Holder Identification Number’ allocated by CHESS (for holders on the CHESS sponsored subregister).

DISCLAIMERS

It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each potential investor.

Accordingly, nothing in this PDS is a recommendation by the Responsible Entity, or any other person concerning investments in the Coin Interests. Potential investors should not rely on this PDS as the sole basis for any investment decision and should seek independent professional investment and taxation advice before making a decision whether to invest in the Coin Interests. Prospective investors should read the entire PDS before making any decisions to invest in the Coin Interests. If prospective investors have any doubt as to their course of action they should consult their stockbroker, solicitor, accountant or other professional adviser.

This PDS has been prepared by ETFs Management (AUS) Limited from sources which ETFs Management (AUS) Limited believes to be correct. No other member of the ETFs Capital Group of companies, and none of Jura Pentium AG, 21Shares AG, nor any other member of the

21Shares Group of companies, nor any of their respective employees or agents make any representation or warranty as to or assume any responsibility or liability for the accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this PDS or in any accompanying, previous or subsequent material or presentation and each of those persons disclaim all and any responsibility or liability for any loss or damage which may be suffered by any person relying upon any information contained in, or any omissions from, this PDS.

ETFs Management (AUS) Limited does not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of an investment for the Fund.

RISKS

An investment in the Coin Interests is an investment in a financial product. An investor should ensure that it understands all of the risks associated with an investment in the Coin Interests and have determined that the type of investment is suitable for them. For example, the Coin Interests may not be a suitable investment if an investor:

- > is not comfortable with the risk that they may not get back the full amount of their money invested, and in some cases might receive zero;
- > does not understand the risks associated with Bitcoin and the way in which the performance of Bitcoin will affect their return on investment. In particular they do not understand that the performance of the Coin Interests is linked to the performance of Bitcoin. Each investor must determine for themselves the likelihood of Bitcoin performing so as to deliver the returns sought and each investor must understand the risk that Bitcoin may not perform in that way;
- > does not understand the risks of investing via a fund structure and the impact of the fees and costs associated with the structure;
- > does not understand that Bitcoin is a relatively new asset and as such its regulatory status and legal standing in different jurisdictions is not consistent or certain and any change in either of these could have a material impact on the value of Bitcoin and therefore the value of the Coin Interests;
- > does not have experience in, or is otherwise unfamiliar with, investing in products which have similar investment profiles to the Coin Interests; and
- > is not comfortable with the effect that the loss of their entire investment might have on their investment portfolio.

The material risks associated with an investment in the Coin Interests of which the Responsible Entity is aware as at the date of this PDS are set out in Section 5 (*Risk Factors*).

Important Information

SELLING RESTRICTIONS

New Zealand

The Fund is offered to persons in New Zealand who are “wholesale investors” under clause 3(2) or 3(3)(a) of Schedule 1 of the FMCA, or who are otherwise not required to receive disclosure under Part 3 of the FMCA, only.

Those persons not familiar with the provisions of the FMCA, or who require further assistance and/or information, should consult their professional adviser.

Singapore

This PDS has not been registered as a prospectus with the Monetary Authority of Singapore. This PDS and any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Coin Interests may not be circulated or distributed, nor may the Coin Interests be offered or sold, or be made the subject of any invitation for subscription or purchase, whether directly or indirectly to persons in Singapore except to an institutional investor as defined in the Securities and Futures Act, Cap. 289 (the “SFA Act”), or otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA Act.

United States

This PDS and the Coin Interests offered under this PDS have not been and will not be registered under the U.S. Securities Act of 1933, as amended or any US state or other securities laws. Accordingly, the Coin Interests offered in this PDS may not be granted to or taken up by, and the Coin Interests may not be offered or sold to, any person that is in the United States or that is, or is acting for the account or benefit of, a US person.

UK, European Union and Switzerland

This PDS and the Fund offered under this PDS have not been and will not be registered for public offer or distribution in any of the United Kingdom, any member state of the European Union or Switzerland. Interests offered in this PDS may not be granted to or taken up by, and the Fund may not be offered or sold to, any person that is in the United Kingdom, any member state of the European Union or Switzerland or that is, or is acting for the account or benefit of, a person resident in the United Kingdom, any member state of the European Union or Switzerland.

DEFINED TERMS

Certain terms used in this PDS are defined in Section 12 (*Glossary*). This PDS should be read in conjunction with these defined terms.

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1. Key Features

1.1 OVERVIEW

The ETFS 21Shares Bitcoin ETF (the “**Fund**”) is a registered managed investment scheme and the Responsible Entity has applied to Cboe to have its Coin Interests quoted on the Cboe market. In this PDS, the Fund is offering Coin Interests designed to provide investors with a beneficial interest in Bitcoin without the necessity of holding, trading and storing Bitcoin. The Coin Interests aim to track the price of Bitcoin in Australian dollars (before fees and expenses) by reference to the US dollar Crypto Coin Comparison Aggregated Index converted to Australian dollars. The value of an investment in a Coin Interest will be subject to fluctuations in the AUD/USD exchange rate as well as fluctuations in the price of Bitcoin.

The Fund will invest in Bitcoin through the ETFS 21Shares Wholesale Bitcoin Trust (the “**Sub-Fund**”), an unregistered managed investment scheme. The Responsible Entity is the trustee of the Sub-Fund. Under the Trust Deed, each Coin Interest provides a bare trust interest in the Sub-Fund, separate from all other Coin Interests, and each bare trust interest in the Sub-Fund is in turn a bare trust interest in an amount of Bitcoin equal to the Coin Entitlement separate from all other interests in the Sub-Fund. Each Holder is therefore absolutely entitled to the underlying Bitcoin held by the Sub-Fund.

The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch has been appointed as the custodian of the interests in the Sub-Fund which are held by the Fund. The Sub-Fund has been established by the Responsible Entity to act as a special purpose vehicle for holding Bitcoin on behalf of the Fund. Coinbase Custody Trust Company, LLC has been appointed as the custodian of the Bitcoin acquired in connection with the Fund.

All references in this PDS to the Fund (including a Separate Trust) holding, acquiring, receiving, dealing with or disposing of Bitcoin or Forked Assets should be read as a reference to the Fund holding, acquiring, receiving, dealing with or disposing of such assets indirectly through the Sub-Fund and the separate trusts comprising the Sub-Fund.

The following table summarises the key features of the Coin Interests offered in this PDS. Any decision to invest in the Coin Interests should be based upon the PDS in its entirety and investors should seek professional advice before making any decision with respect to an investment in the Coin Interests.

KEY FEATURES OF THE FUND

Fund Name	ETFS 21Shares Bitcoin ETF
Responsible Entity	ETFS Management (AUS) Limited is the Responsible Entity (the “ Responsible Entity ”) and trustee of the Fund and the issuer of this PDS.
Investment Objective	<p>The investment objective of the Coin Interests issued by the Fund is to provide a return that tracks the performance of the price of Bitcoin in Australian dollars (before fees and expenses) by reference to the US dollar Crypto Coin Comparison Aggregated Index converted to Australian dollars.¹ The value of an investment in a Coin Interest will be subject to fluctuations in the AUD/USD exchange rate as well as fluctuations in the price of Bitcoin. The Coin Interests provide Holders with a beneficial interest in Bitcoin without the necessity of holding, trading and storing Bitcoin.</p> <p>No significant change to the investment objective will be made unless such change is approved by a resolution of Holders representing at least 75% of votes cast.</p>
Investment Strategy	All Bitcoin received from an Authorised Participant in connection with a Creation Request will be transferred to the Responsible Entity’s Secured Account with the Custodian. Bitcoin will at all times be held in one or more Secured Accounts save for any amounts required to be transferred out of the Secured Account in connection with Creations or Redemptions.
Investment Type	A registered managed investment scheme. The Coin Interests in the Fund will be able to be traded on the Cboe market. The issue of Coin Interests is covered by the Responsible Entity’s Australian financial services licence.
Assets	<p>Bitcoin held by the Fund in one or more Secured Accounts.</p> <p>The Fund will not hold any derivative positions.</p> <p>The Fund may hold other crypto-assets and cash in the event it receives and disposes of any Forked Assets. The Fund will dispose of Forked Assets as soon as reasonably practicable.</p>

1. The Fund’s investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve. The Fund may not achieve its investment objective. Returns are not guaranteed.

Coin Entitlement	<p>Each Coin Interest represents a beneficial interest in Bitcoin, which will be held in a Separate Trust. The amount of Bitcoin represented by such beneficial interest is known as the Coin Entitlement, and reduces each day by the amount of the Management Fee (and any extraordinary expenses or distributions made by the Fund). On the issue date for the first Coin Interest(s) the Coin Entitlement will be 0.0001 Bitcoin. The Coin Entitlement will be held in a Separate Trust per Coin Interest.</p> <p>The Coin Entitlement is the number of Bitcoin held by each Separate Trust, less any accrued but unpaid fees and expenses. The value of the Coin Entitlement, after conversion into Australian dollars, will generally be equal to the Net Asset Value per Coin Interest.</p> <p>Any Claimable Forked Assets may temporarily increase the Fund's Net Asset Value (until such assets are sold and the proceeds distributed to Holders) however this will not cause an increase or decrease to the Coin Entitlement. The Responsible Entity may suspend applications and redemptions until it has sold and distributed the proceeds in respect of any Claimable Forked Assets (which may also result in a suspension of trading on Cboe).</p>
Net Asset Value (NAV) per Coin Interest	<p>The Net Asset Value per Coin Interest shall be determined by the Responsible Entity at the Valuation Time on each Business Day (or at such other time as the Responsible Entity may determine) by valuing the Assets and deducting the liabilities of the Fund associated with the Coin Interests (including, without limitation, any management costs), and dividing that amount by the number of Coin Interests on issue in the Fund. Please refer to Section 7 (<i>Valuation and Coin Interest Pricing</i>) for more detail.</p>
Fees and Expenses	<p>Fees and expenses that a Holder may be charged include:</p> <p>Creation Fee</p> <p>Authorised Participants will be charged a flat fee of A\$500 on each Creation Request. Only Authorised Participants may submit Creation Requests.</p> <p>Redemption Fee</p> <p>Any Holder (including Authorised Participants and Holders who are not Authorised Participants) who submits a Redemption Request (regardless of whether the Holder elects the Coin Delivery Method or the Coin Sale Method) will be liable to pay a flat fee of \$500 upon submission of each Redemption Request regardless of the number of Coin Interests being redeemed.</p> <p>Management Fee</p> <p>A Management Fee of 1.25 percent per annum of the Net Asset Value of the Fund will be paid out of the Assets to the Responsible Entity. The Management Fee will be accrued daily and paid monthly in arrears.</p> <p>Please see Section 8 (<i>Fees and Other Costs</i>) of this PDS for further details in relation to these fees and expenses.</p> <p>As with any other quoted security, you may be charged a brokerage fee or commission when buying and selling Coin Interests through a broker and/or on the Cboe market. Please refer to your broker for further details on their fees and charges.</p>
Trading in Coin Interests of the Fund	<p>As at the date of this document an application has been made to Cboe for the Coin Interests to be quoted on the Cboe market. It is expected that most investors will buy and sell their Coin Interests through trading on this secondary market where they can be bought and sold like any other stocks. Investment in Coin Interests through transactions on the Cboe market are not governed by the terms of this PDS.</p> <p>Only Authorised Participants may apply directly to the Fund for the Creation of Coin Interests.</p>

1. Key Features

Creations	<p>The offer of Coin Interests under this PDS is made to Authorised Participants only and only Authorised Participants may apply directly to the Responsible Entity for Coin Interests.</p> <p>Creation Requests for Coin Interests may be submitted on any Cboe Business Day during the term of this PDS. Creation Requests will be settled by the Authorised Participant arranging a deposit into the Secured Account by 4 p.m. on the Delivery Day prior to the Settlement Date of an amount of Bitcoin equal to the aggregate Coin Entitlement of the Coin Interests that Authorised Participant has applied for (such deposit also constituting payment of the nominal value of the Coin Interests which carry such Coin Entitlement), calculated as at the Cboe Business Day (rounded up to the nearest eight decimal places). As at the date of this PDS the minimum number of Coin Interests for a Creation Request is 10,000 Coin Interests.</p> <p>The Responsible Entity may reject any Creation Request in its discretion.</p> <p>Please refer to Section 6 (<i>Trading of Coin Interests</i>) for more detail.</p>
Redemptions	<p>Generally, all Holders (including Authorised Participants) who wish to redeem Coin Interests directly with the Responsible Entity may only submit in specie Redemption Requests (referred to as the Coin Delivery Method) whereby the Holder will receive Bitcoin as their redemption proceeds. Redemption Requests may be in relation to some or all of a Holder's Coin Interests.</p> <p>It is generally expected that Holders who wish to exchange their Coin Interests for cash will sell their Coin Interests on the Cboe market. Cash redemptions via the Coin Sale Method are only available in extraordinary circumstances (for example, where trading in the Fund is suspended for five consecutive Cboe Business Days).</p> <p>An election for the Coin Delivery Method is only valid if the requesting Holder has nominated a Bitcoin wallet to which any Bitcoin related to that Redemption Request is to be transferred of which they can prove their ownership to the satisfaction of the Responsible Entity and have completed all know your client and other anti-money laundering checks as may be requested by the Responsible Entity.</p> <p>Redemptions will be effected on the Settlement Date or such later date as requested by the Holder save that they must also have provided all such information as requested by the Responsible Entity as set out above.</p> <p>Holders using the Coin Delivery Method should be aware that transfers of Bitcoin are generally irreversible. To the maximum extent permitted by law, the Responsible Entity takes no responsibility for, and has no liability to, any Holder who suffers a loss due to providing the Responsible Entity with an incorrect wallet address in respect of a redemption by way of the Coin Delivery Method.</p> <p>As at the date of the PDS, there is no minimum number of Coin Interests required for a Redemption Request, and there is no minimum residual holding required.</p> <p>All Holders who redeem their Coin Interests directly with the Responsible Entity must pay the Redemption Fee.</p> <p>Please refer to Section 6 (<i>Trading of Coin Interests</i>) for more detail.</p>
Distributions	<p>In the normal course Holders should not expect to receive any distributions of ordinary income, unless the Fund receives Claimable Forked Assets.</p> <p>By becoming a Holder, you irrevocably authorise and direct the Responsible Entity to sell any Claimable Forked Assets on your behalf and distribute the proceeds to you in cash, such sales of Claimable Forked Assets being on the same terms as those applying to the Coin Sale Method.</p> <p>Further information in respect of distributions is set out in Section 9 (<i>Distributions</i>) of this PDS.</p>

<p>Key Risks</p>	<p>Past performance is not an indication of future performance and the investment performance of the Coin Interests could be volatile. An investment in the Coin Interests involves a significant degree of risk. The following are just some of the risk factors which should be carefully considered by prospective investors before deciding whether to invest in the Coin Interests:</p> <ul style="list-style-type: none"> > Price Risk – the price of Bitcoin may fluctuate widely and be affected by numerous factors. Adverse movements in the price of Bitcoin may negatively affect the return to Holders (for example, if at the time of sale of Coin Interests by a Holder the price of Bitcoin has decreased since the time of the Holder’s acquisition of those Coin Interests), and may result in Holders losing all, or a significant portion, of their investment. > Hacking Risk – thefts and cyber-attacks can have a negative impact on the reputation of the Bitcoin and thus negatively affect the value of the Fund. Holders would indirectly participate in such a negative performance. Holders would suffer direct losses if any Secured Account was subject to theft. While the Responsible Entity and the Custodian for the Bitcoin have taken reasonable measures to prevent a theft or hacking of the Bitcoin for the Coin Interests, such event cannot be fully excluded and the losses associated with such an event would be borne by Holders. > Tracking Risk – At any time, the price at which the Coin Interests trade on the Cboe market may show some “tracking error”, due to the prices and/or spreads quoted by market makers, and thus may not reflect accurately the price of Bitcoin represented by such Coin Interests or the corresponding Net Asset Value. > Currency Risk – Bitcoin prices are generally quoted in US dollars and Coin Interests are priced in Australian dollars. To the extent a Holder values Coin Interests in another currency (such as Australian dollars), that value will be affected by changes in the exchange rate between the US dollar and that other currency. > Access and Insurance Risk – Bitcoin will be held by the Custodian in its secure cold-storage facilities. Access to such Bitcoin could be restricted by natural events, such as flooding, or human actions, such as terrorist attack. As at the date of this PDS, the Responsible Entity understands that the Custodian holds an insurance policy providing an insurance coverage limit of US\$320,000,000 (per incident and overall) in respect of crypto-assets held by the Custodian. This policy applies to all crypto-assets held by the Custodian and not just the Fund’s assets. If the Custodian was to make insurance claims in relation to losses of crypto-assets held by third parties which exceed US\$320,000,000, then any subsequent theft or similar losses of Bitcoin owned by the Fund may effectively be uninsured until such a time as the Custodian obtains further insurance coverage. Pursuant to the Custody Agreement, the Custodian must make such insurance arrangements in connection with its custodial obligations with respect to the Fund’s Bitcoin as it considers commercially reasonable. The Custodian is under no specific obligation to take out separate insurance limited to only Bitcoin held by the Fund. There is a risk the Custodian may not maintain adequate insurance with respect to the Bitcoin held by the Custodian on behalf of or credited to the accounts of the Fund. > Counterparty Risk – the Fund will be exposed to the credit risk of a number of counterparties with whom the Responsible Entity transacts, including, but not limited to, the Custodian, HSBC, the Administrator, market makers, Authorised Participants, and any other party to any arrangements in place in respect of any crypto assets held by the Fund. > Redemption Risk – There are certain circumstances in which an early redemption of Coin Interests may be imposed on Holders, which may result in an investment in Coin Interests being redeemed earlier than desired. There are also certain circumstances where the Responsible Entity may limit, reject, scale or delay redemptions. Please refer to Section 10.2 (<i>Summary of Material Documents</i>) for further information. > Liquidity Risk – Although an application has been made to have the Coin Interests quoted on the Cboe market there is no guarantee there will be a liquid market for the Coin Interests. Furthermore, in certain circumstances the Cboe market may suspend trading of the Coin Interests.
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1. Key Features

<p>Key Risks (continued)</p>	<ul style="list-style-type: none"> > Regulatory Risk – Changes in regulations or laws may adversely affect the performance of the Coin Interests or the ability of the Fund to continue to meet its investment objectives. Similarly, changes in taxation regulations or laws may impact the after-tax returns of the Coin Interests. > Concentration Risk – The holdings attributable to the Coin Interests are intended to track the price of Bitcoin and are not further diversified, and as such there may be a greater degree of volatility in the net asset value of the Coin Interests over time, relative to the value of a more broadly diversified portfolio. > Fork Risk – Bitcoin may be subject to occasional Forks which may result in the Fund holding crypto assets which are not Bitcoin. Any Claimable Forked Assets will be disposed of as soon as practicable and the proceeds distributed to Holders. There is a risk the Fund will not be able to claim any such Forked Assets, for example, if the Custodian determines it will not support the holding of such assets. Under the Custody Agreement, the Custodian is not obligated to support the holding of any Forked Assets and the Custodian assumes absolutely no liability, obligation or responsibility whatsoever in relation to such assets. For the purposes of determining the Net Asset Value, any Forked Assets which are unclaimable will be deemed to have a value of zero. This valuation may be subject to change if, for example, in the future the Custodian determines it will support such assets. In such a case, any investors who held Coin Interests during a Fork and sold the Coin Interests during the period in which any resulting Forked Assets were unclaimable would not have any rights against the Fund or any other person in respect of the value of any Forked Assets that become Claimable Forked Assets. In this respect, a holding of Coin Interests in the Fund may not be equivalent to a direct holding of Bitcoin. Additionally, the Custodian is permitted to temporarily suspend its operations if a Fork occurs, consequently, trading in Coin Interests on the Cboe market may also be suspended as a result of a Fork. The Responsible Entity may also suspend Redemptions and Creations during any period in which there are Claimable Forked Assets. > Technical Risks – there are a number of technical risks to which investors in Bitcoin are exposed including, but not limited to, flaws in the code, Forks, double spend and 51% attacks which could adversely affect the value of a holding of Coin Interests in the Fund. <p>This is not an exhaustive list of risks in the relation to an investment in the Coin Interests. Prospective investors should read Section 5 (<i>Risk Factors</i>) of this PDS in relation to the risks of an investment in the Coin Interests and consider the specific and general risks of an investment in the Coin Interests. Prospective investors should also consult with their financial, legal and tax advisers prior to making any investments.</p>
<p>Reporting</p>	<p>Information relating to the Fund including the Coin Entitlement, the Net Asset Value, and performance of the Coin Interests will be published on the website of the Responsible Entity at www.etfsecurities.com.au</p>
<p>No Leverage</p>	<p>The Responsible Entity will not use leverage to achieve the investment objectives of the Fund.</p>
<p>No Lending</p>	<p>The Responsible Entity will not use lending of any Bitcoin held by the Fund to achieve the investment objectives of the Fund.</p>
<p>Use of Derivatives</p>	<p>The Fund will not use derivatives for any purpose.</p>
<p>Registrar</p>	<p>Computershare Investor Services Pty Limited will maintain a Register of the Coin Interests in Sydney.</p>
<p>Transaction Documents</p>	<p>The documents which, in addition to this PDS, set out the terms and conditions relating to the Coin Interests and the holding of the Bitcoin comprise:</p> <ul style="list-style-type: none"> > the Trust Deed; > the Custody Agreement; > the HSBC Custody Agreement; > the Registrar Agreement; and > the Administration Agreement. <p>Please refer to Section 10.2 (<i>Summary of Material Documents</i>) for further information.</p>

2. Frequently Asked Questions

This section is intended to answer some of the questions which a prospective investor may have when considering an investment in the ETFS 21Shares Bitcoin ETF. It is not intended to be a summary of or a complete description of the information contained in this PDS and an investment in Coin Interests should only be made after careful consideration of this PDS.

2.1 WHAT ARE THE COIN INTERESTS IN THE ETFS 21SHARES BITCOIN ETF?

The ETFS 21Shares Bitcoin ETF (the “Fund”) is a registered managed investment scheme structured as a scheme comprised of Separate Trusts per Coin Interest which provide a beneficial interest in Bitcoin. The Coin Interests are intended to be quoted on the Cboe market. In this PDS, the Fund is offering Coin Interests designed to provide investors with a beneficial interest in Bitcoin without the necessity of holding, trading and storing Bitcoin.

2.2 WHAT IS THE AIM OF THE COIN INTERESTS?

The Coin Interests aim to provide investors with a beneficial interest in Bitcoin (before fees and expenses) without the necessity of holding, trading and storing Bitcoin and enabling investors to buy and sell that interest through the trading of a security on the Cboe market.

2.3 WHAT ARE THE SIGNIFICANT RISKS OF ACQUIRING A COIN INTEREST?

Past performance is not an indication of future performance and the investment performance of the Coin Interests could be volatile. An investment in the Coin Interests involves a significant degree of risk. The following are just some of the risk factors which should be carefully considered by prospective investors before deciding whether to invest in the Coin Interests:

- > **Price Risk** – the price of Bitcoin may fluctuate widely and be affected by numerous factors. Adverse movements in the price of Bitcoin may negatively affect the return to Holders (for example, if at the time of sale the price of Bitcoin has decreased since the time of its acquisition), and may result in Holders losing all, or significantly all, of their investment.
- > **Hacking Risk** – thefts and cyber-attacks can have a negative impact on the reputation of the Bitcoin and thus negatively affect the value of the Coin Interests. Holders would indirectly participate in such a negative performance. Holders would suffer direct losses if any Secured Account was subject to theft. While the Responsible Entity and the Custodian have taken reasonable measures to prevent a theft or hacking of the Bitcoin for the Coin Interests, such event cannot be fully excluded and the losses associated with such an event would be borne by Holders.
- > **Tracking Risk** – At any time, the price at which the Coin Interests trade on the Cboe market may show

some “tracking error”, due to the prices and/or spreads quoted by market makers, and thus may not reflect accurately the price of Bitcoin represented by such Coin Interests or the corresponding Net Asset Value.

- > **Currency Risk** – Bitcoin prices which the Fund seeks to track are generally quoted in US dollars and Coin Interests are priced in Australian dollars. To the extent a Holder values Coin Interests in another currency (such a Australian dollars), that value will be affected by changes in the exchange rate between the US dollar and that other currency.
- > **Access and Insurance Risk** – Bitcoin will be held by the Custodian in its secure cold-storage facilities. Access to such Bitcoin could be restricted by natural events, such as flooding, or human actions, such as terrorist attack. As at the date of this PDS, the Responsible Entity understands that the Custodian holds an insurance policy providing an insurance coverage limit of US\$320,000,000 (per incident and overall) in respect of crypto-assets held by the Custodian. This policy applies to all crypto-assets held by the Custodian and not just the Fund’s assets. If the Custodian was to make insurance claims in relation to losses of crypto-assets held by third parties which exceed US\$320,000,000, then any subsequent theft or similar losses of Bitcoin owned by the Fund may effectively be uninsured until such a time as the Custodian obtains further insurance coverage. Pursuant to the Custody Agreement, the Custodian must make such insurance arrangements in connection with its custodial obligations with respect to the Fund’s Bitcoin as it considers commercially reasonable. The Custodian is under no specific obligation to take out separate insurance limited to only Bitcoin held by the Fund. There is a risk the Custodian may not maintain adequate insurance with respect to the Bitcoin held by the Custodian on behalf of or credited to the accounts of the Fund.
- > **Counterparty Risk** – the Fund will be exposed to the credit risk of a number of counterparties with whom the Responsible Entity transacts, including, but not limited to, the Custodian, HSBC, the Administrator, market makers, Authorised Participants, and any other party to any arrangements in place in respect of any crypto denominated assets held by the Fund and exchanges.
- > **Redemption Risk** – There are certain circumstances in which an early redemption of Coin Interests may be imposed on Holders, which may result in an investment in Coin Interests being redeemed earlier than desired. There are also certain circumstances where the Responsible Entity may limit, reject, scale or delay redemptions. Please refer to Section 10.2 (*Summary of Material Documents*) for further information.
- > **Liquidity Risk** – Although it is expected that the Coin Interests will be admitted to trading status on the Cboe market there is no guarantee there will be a liquid market for the Coin Interests. Furthermore, in certain circumstances the Cboe market may suspend trading of the Coin Interests. If a market maker becomes unable to provide the market making services, the liquidity of the market for Coin Interests will be adversely affected.

2. Frequently Asked Questions

In these circumstances, the Responsible Entity will assume the obligations of a market maker and will seek to appoint another market maker.

- > **Regulatory Risk** – Changes in regulations or laws may adversely affect the performance of the Coin Interests or the ability of the Fund to continue to meet its investment objectives with respect to the Coin Interests. Similarly, changes in taxation regulations or laws may impact the after-tax returns of the Coin Interests.
- > **Concentration Risk** – The Fund's holdings attributable to the Coin Interests are intended to track the price of Bitcoin and are not further diversified, and as such there may be a greater degree of volatility in the Net Asset Value of the Coin Interests over time, relative to the value of a more broadly diversified portfolio.
- > **Fork Risk** – Bitcoin may be subject to occasional Forks which may result in the Fund holding crypto assets which are not Bitcoin. Any such crypto assets able to be claimed and sold by the Fund will be disposed of as soon as practicable and the proceeds distributed to Holders. There is a risk that the Fund will not be able to claim any such assets, for example, if the Custodian determines it will not support the holding of such assets. Under the Custody Agreement, the Custodian is not obligated to support the holding of any crypto assets resulting from a Fork and the Custodian assumes absolutely no liability, obligation or responsibility whatsoever in relation to such assets. For the purposes of determining the Net Asset Value, any crypto assets which are unclaimable will be deemed to have a value of zero. This valuation may be subject to change if, for example, in the future the Custodian determines it will support such assets. In such a case, any investor who held Coin Interests during a Fork and sold their Coin Interests during the period in which any resulting Forked Assets were unclaimable would not have any rights against the Fund or any other person in respect of the value of any assets that become Claimable Forked Assets. In this respect, a holding of Coin Interests in the Fund may not be equivalent to a direct holding of Bitcoin. Additionally, the Custodian is permitted to temporarily suspend its operations if a Fork occurs, consequently, trading in Coin Interests on the Cboe market may also be suspended as a result of a Fork. The Responsible Entity may also suspend Redemptions and Creations during any period in which there are Claimable Forked Assets. Please refer to Section 4.3 (*Bitcoin Market Overview*) for further information.
- > **Technical Risks** – there are a number of technical risks to which investors in Bitcoin are exposed including, but not limited to, flaws in the code, Forks, double spend and 51% attacks which could adversely affect the value of a holding of Coin Interests in the Fund.

This is not an exhaustive list of risks in the relation to an investment in the Coin Interests. Prospective investors should read Section 5 (*Risk Factors*) of this PDS in relation to the risks of an investment in the Coin Interests and consider the specific and general risks of an investment in the Coin Interests. Prospective

investors should also consult with their financial, legal and tax advisers prior to making any investments.

2.4 HOW DOES HOLDING A COIN INTEREST GIVE EXPOSURE TO BITCOIN?

Upon issue of Coin Interests, the Fund will receive from the Authorised Participant requesting such issue, the Bitcoin in an amount equalling the amount of Bitcoin represented by the Coin Interests to be issued. Under the terms of the Sub-Fund's trust deed, the Responsible Entity must hold that Bitcoin in the name of the Sub-Fund in one or more Secured Accounts with the Custodian on bare trust for the Fund and the Fund in turn holds its interest in the Sub-Fund on bare trust for Holders. By holding the relevant amount of Bitcoin represented by each Coin Interest, the Responsible Entity can ensure the Coin Interests will have exposure to the correct amount of Bitcoin and that Holders are absolutely entitled to the underlying Bitcoin.

2.5 WHAT IS THE COIN ENTITLEMENT OF EACH COIN INTEREST?

Each Coin Interest represents a beneficial interest in the relevant amount of Bitcoin, which will be held in a Separate Trust which relates to that Coin Interest. The amount of Bitcoin represented by such beneficial interest is known as the Coin Entitlement. The Coin Entitlement represented by each Coin Interest reduces each day by the amount of the Management Fee (and any extraordinary expenses or distributions made by the Fund). On the issue date for the first Coin Interest(s) the Coin Entitlement will be 0.0001 Bitcoins.

The Coin Entitlement is calculated as the number of Bitcoin held by each Separate Trust, less any accrued but unpaid fees and expenses. The value of the Coin Entitlement, after conversion into Australian dollars, will generally be equal to the Net Asset Value per Coin Interest.

Any Claimable Forked Assets may temporarily increase the Fund's Net Asset Value (until such assets are sold and the proceeds distributed to Holders) however this will not cause an increase or decrease to the Coin Entitlement. The Responsible Entity may suspend applications and redemptions until it has sold and distributed the proceeds in respect of any Claimable Forked Assets (which may also result in a suspension of trading on Cboe).

2.6 HOW ARE FORKS DEALT WITH?

In the event of a Fork, the Fund will technically become the holder of any Forked Assets, however, the Fund will only be able to deal in any Forked Assets if the holding of the relevant Forked Assets is supported by the Custodian. The Custodian is not obligated to support any Forked Assets. Under the Trust Deed, by becoming a Holder, you irrevocably authorise and direct the Trustee to sell any Claimable Forked Assets on your behalf and distribute the proceeds to you in cash, such sales of Claimable Forked Assets being on the same terms as those applying to the Coin Sale Method. If the Forked Assets are supported by

the Custodian, the Fund will dispose of the Forked Assets as soon as reasonably practicable and distribute the proceeds. If the Forked Assets are not supported by the Custodian, it will not be possible for the Fund to claim such assets and the relevant Forked Assets will be deemed to have a value of zero for the purposes of calculating the Fund's Net Asset Value. If, in the future, the Custodian determines to support any previously unsupported Forked Assets, and a suitable market is established in respect of such Forked Assets, then such assets will be Claimable Forked Assets and will be disposed of as soon as reasonably practicable and the proceeds distributed. Any investors who held Coin Interests at the time of a Fork and sold the Coin Interests during the period in which any Forked Assets were unsupported by the Custodian would not have any rights against the Fund or any other person in respect of the value of any resulting Forked Assets that become Claimable Forked Assets. In this respect, a holding of Coin Interests in the Fund may not be equivalent to a direct holding of Bitcoin.

It may be necessary for the Fund's quotation on the Cboe market to be suspended for a period as the result of a Fork and/or for redemptions from the Fund to be suspended as the result of a Fork.

2.7 HOW IS THE BITCOIN STORED?

All Bitcoin held by the Fund is held in one or more Secured Accounts at the Custodian. Bitcoin attributable to the Coin Interests are held on both "Cold Storage" accounts and "Multi Signature Wallet" accounts. The accounts at the Custodian are separate segregated accounts maintained by the Custodian in the name of the Responsible Entity which evidence and record the Bitcoin held by the Custodian as well as the withdrawals from and the deposits to each account.

2.8 WHAT IS A COLD STORAGE ACCOUNT?

A Cold Storage account is the operation of digital wallet in a secure manner by taking it off-line from the internet and thus reduce the chances of any hacking occurring. Technically Bitcoins are not actually stored anywhere as they are just entries on the blockchain. Bitcoins are accessed through private and public keys (addresses and codes) which are kept in digital wallets and it is the digital wallets that need to be protected by storing in a safe place. There are various ways to secure a Bitcoin wallet, the popular ones being to encrypt a wallet by using a strong password and to make a backup of the wallet. However, a more secure method is cold storage which involves storing Bitcoins offline, meaning away from any internet access. Keeping Bitcoins offline substantially reduces the threat from hackers. All movements from the Cold Storage accounts used by the Fund require approvals from multiple individuals before ("Multi-Signature") Bitcoin can be released.

2.9 WHAT IS A PUBLIC ADDRESS?

A Bitcoin public address is similar to a physical address or an email address. It is the only information you need to provide for someone to pay Bitcoin to you.

2.10 WHAT IS A PRIVATE KEY?

A private key is a secret piece of data that evidences your right to spend Bitcoin from a specified public address through a cryptographic signature.

2.11 WHO IS THE BITCOIN CUSTODIAN?

The Responsible Entity has appointed Coinbase Custody Trust Company, LLC ("Coinbase") as the Custodian of the Bitcoin acquired in connection with the Fund. Coinbase is a limited purpose trust company incorporated under the laws of the State of New York in the United States of America and is chartered, supervised and examined by the New York Department of Financial Services. The Custodian is a fiduciary under § 100 of the New York Banking Law and a qualified custodian licensed to custody clients' crypto assets in trust on clients' behalf and its registered office is at 200 Park Avenue South, Suite 1208, New York, NY 10003, USA. It received its charter on 22 October, 2018.

Coinbase Custody Trust Company, LLC is a subsidiary of Coinbase Global, Inc. Affiliates of Coinbase Custody Trust Company, LLC provide various services to Coinbase Custody Trust Company, LLC, including engineering, sales support, marketing, communications, information technology, security, business operations, tax, strategy, finance, accounting, human resources, customer support, compliance, and legal advice.

As at the date hereof, the Bitcoin Custodian has over U.S.\$270 billion in assets under custody.

The Custodian may never rehypothecate or otherwise put at risk any of the Bitcoins it holds in the Secured Accounts. In the case of Coinbase bankruptcy or liquidation, vault-held Bitcoins should be completely insulated and users should have clear title to their Bitcoins.

The Coinbase vault (the "Vault") has become the preferred storage solution of many of the largest institutions and individuals in the world and it holds one of the largest stores of Bitcoins in existence.

The Vault caters to large and small holders of digital currencies, including Bitcoin, who need highly secure and diversified measures to protect their holdings. The Vault is based on three different continents: America, Europe, and Oceania. Additional locations may be included to further diversify any geographic risk.

A team with two decades of experience each in international financial and transactional security developed this proprietary storage solution. The Vault offers advanced encryption and key management, multi-signature Bitcoin addresses, military-grade physical security (such as Faraday cages and former military bases) and highly secure processes to keep Bitcoins offline and geographically dispersed across three continents. The key to this process is removing all access to Private Keys via the internet by physically isolating them. All Bitcoins held in connection with the Fund will be held in such storage, and publicly verifiable in view only mode via a standard

2. Frequently Asked Questions

Blockchain explorer software. Only Bitcoins briefly in transit from Authorised Participant's to Vault or from Vault to Authorised Participant's and other Holders will be exposed to the internet.

The Responsible Entity may appoint further custodians in the future provided such custodians have the necessary infrastructure and expertise to act as custodian for Bitcoin.

The Custodian and any of its affiliates may from time to time purchase or sell Coin Interests for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

The Custodian does not warrant the contents of this PDS, nor are they involved in the management, administration or net asset value calculation of the Fund.

2.12 WHAT ARE THE BITCOIN CUSTODY ARRANGEMENTS?

The Custodian will be responsible for the safekeeping of the Bitcoin held in the Secured Accounts. The primary business activity of the Custodian in respect of its role to the Responsible Entity is to act as custodian of Bitcoin.

The Custody Agreement contains provisions limiting the liability of the Custodian and an indemnity in favour of the Custodian which is restricted to exclude matters arising by reason of the claim, demand, damage, expense, loss or liability arising out of or in connection with the Custodian's (1) breach of the Custody Agreement, (2) breach of the confidentiality obligations under or in connection with the Custody Agreement, (3) violation of any law, rule or regulation, or the rights of any third party, or (4) negligence, fraud or wilful misconduct.

The Custodian will charge a custodial service fee for its services under the Custody Agreement based on the average monthly amount of Bitcoin held in the Secured Accounts, assessed and payable monthly in arrears. If the amount of the custodial service would be less than the monthly minimum charge set out in the Custody Agreement, then this minimum monthly charge shall instead be payable to the Custodian. The Custodian will also charge a one-time implementation fee which will be a flat fee assessed to cover onboarding and implementation costs. Any such fees are payable by the Responsible Entity out of its Management Fee and are not a cost to the Fund.

The Custody Agreement will continue unless either the Responsible Entity or Custodian gives notice in accordance with the terms of the agreement or the Custody Agreement terminates otherwise in accordance with its terms. In the event of termination of the Custody Agreement or if it deems it necessary, the Responsible Entity will use reasonable endeavours to negotiate any alternative custody agreements required or it deems appropriate on substantially similar terms as the Custody Agreement. The Responsible Entity has the power to compulsorily redeem Coin Interests if a suitable custodian cannot be appointed. Upon entry into any new custody agreements, the Responsible Entity will publish details of the new arrangements on its website at www.etfsecurities.com.au.

2.13 HOW ARE THE BITCOIN HOLDINGS AT THE CUSTODIAN AUDITED?

The Custodian is subject to formal audit protocols (e.g. ISAE 3402).

2.14 HOW CAN I APPLY FOR COIN INTERESTS?

The offer of Coin Interests under this PDS is made to Authorised Participants only and only Authorised Participants may apply directly to the Fund for Coin Interests. Coin Interests may be created at any time during the term of this PDS. The minimum number of Coin Interests for a Creation Request is 10,000 Coin Interests.

Coin Interests are created and issued to an Authorised Participant following the submission of a Creation Request by the Authorised Participant, and once the Authorised Participant has deposited Bitcoin in an amount at least equal to the aggregate Coin Entitlement of the Coin Interests to be created pursuant to the Creation Request into the Secured Accounts.

2.15 WHAT IS AN AUTHORISED PARTICIPANT?

Authorised Participants are entities which meet certain eligibility criteria and who have been appointed by the Responsible Entity. Authorised Participants may, but do not have to, act as market makers for the Coin Interests by buying and selling Coin Interests to and from investors either on exchange or in over the counter transactions.

2.16 IF I AM NOT AN AUTHORISED PARTICIPANT, HOW CAN I ACQUIRE COIN INTERESTS?

An application has been made for the Coin Interests to be admitted to trading status on the Cboe market and it is expected that most investors (other than Authorised Participants) will buy and sell their Coin Interests through trading on this secondary market where they can be bought and sold like any other stock.

You should note that your broker, investment advisor or Cboe participant may charge you brokerage or other fees in relation to your transaction.

2.17 WHAT IS THE CASH VALUE OF A COIN INTEREST?

Each Coin Interest has an effective entitlement to Bitcoin which reduces each day to reflect the accrual of the Management Fees payable in respect of that Coin Interest and also to reflect any other fees and costs which are paid out of Fund assets. Whilst Authorised Participants create and redeem Coin Interests directly with the Responsible Entity in exchange for Bitcoin, most Holders will buy and sell Coin Interests on the Cboe market in return for cash. The cash value of a Coin Interest is represented by the "Net Asset Value". The Net Asset Value per Coin Interest shall generally be determined by the Responsible Entity at the Valuation Time on each Cboe Business Day (or at such

other time as the Responsible Entity may determine) by multiplying the Coin Entitlement of a Coin Interest by the price of Bitcoin (calculated by reference to the Crypto Coin Comparison Aggregated Index) and then converting that amount into AUD. Please refer to Section 7 (*Valuation and Coin Interest Pricing*) for more detail.

The cash value at which the Coin Interests will trade on exchange is expected to be close to the value of the Coin Entitlement of the Coin Interests although you should note that pricing on the Cboe market is subject to factors beyond the price of Bitcoin (see below). There are many sources from which an investor can determine the market value of the Bitcoin. For example an investor could look at the prices provided by a cryptocurrency market data provider such as CryptoCompare (www.cryptocompare.com), which publishes the Crypto Coin Comparison Aggregated Index, an index that aggregates transaction data from over 70 exchanges in real-time and is used by the Fund to calculate its Net Asset Value.

2.18 WHAT IS THE CURRENCY OF MY INVESTMENT?

The Net Asset Value of the Coin Interests will be calculated in AUD and the Coin Interests will trade on the Cboe market in AUD. You should note the Bitcoin held by the Fund is valued by reference to the Crypto Coin Comparison Aggregated Index which is denominated in USD. This means that the Coin Entitlement is also valued in USD and the value of your investment in a Coin Interest will also be subject to fluctuations in the AUD/USD exchange rate. The Responsible Entity does not hedge any risk in relation to exchange rate fluctuations.

2.19 HOW DO I DETERMINE THE VALUE OF MY INVESTMENT ON THE CBOE MARKET?

The value of an investment in Coin Interests will depend on the bid and offer prices quoted by market makers at the particular time you attempt to sell your Coin Interest. As described above, these are expected to be close to the cash value of the Coin Entitlement at that time however there is no guarantee this price will be the same on the Cboe market.

Any purchases of Coin Interests will generally be done at a “bid price” and any sales of Coin Interests will generally be done at an “offer price”. The bid and offer prices of a Coin Interest will not match exactly the Australian dollar cash value of the Coin Entitlement because bid and offer prices also take account of other market conditions such as market liquidity (supply and demand) at the time that the investor is looking to buy or sell their Coin Interests.

You should also note the amount you receive in respect of any sales on the Cboe market will be net of any brokerage or other fees charged by your broker.

2.20 WILL THE FUND PROVIDE REPORTING?

Information relating to the Fund including the Coin Entitlement, Bitcoin holdings, the Net Asset Value, and

performance of the Coin Interests will be published on the website of the Responsible Entity at www.etfsecurities.com.au.

2.21 HOW DO I REALISE MY INVESTMENT IN COIN INTERESTS?

As noted above, it is expected that any Holders who are not Authorised Participants will generally realise their investment in Coin Interests in the secondary market on the Cboe market. Please note the above information in relation to pricing of such transactions on the Cboe market.

All Holders (including both Authorised Participants and investors who have purchased their Coin Interests in the secondary market on the Cboe market) may also redeem their Coin Interests directly with the Fund by way of the Coin Delivery Method or Coin Sale Method by submitting a Redemption Request. Holders who elect to redeem their Coin Interests directly with the Fund using the Coin Delivery Method will receive payment on Redemption in Bitcoin. Holders (including Authorised Participants) are generally not permitted to redeem using the Coin Sale Method except in extraordinary circumstances (for example, where trading in the Fund is suspended for five consecutive Cboe Business Days). All Holders who redeem their Coin Interests directly with the Responsible Entity must pay the Redemption Fee.

See section 2.22 (*Can I receive Bitcoin upon redemption?*) below for further information.

2.22 CAN I RECEIVE BITCOIN UPON REDEMPTION?

All Holders (including both Authorised Participants and investors who have purchased their Coin Interests in the secondary market on the Cboe market) may, at any time, by lodging a valid Redemption Request with the Registrar, require the redemption of all or any of its Coin Interests and for payment on Redemption to be in Bitcoin (the “**Coin Delivery Method**”). An election for the Coin Delivery Method is valid only if the relevant Holder has nominated a Bitcoin wallet to which any Bitcoin related to that Redemption Request is to be transferred of which they can prove their ownership to the satisfaction of the Responsible Entity and have completed all know your client and other anti-money laundering checks as may be requested by the Responsible Entity. Redemptions will be effected on the Settlement Date or such later date as requested by the Holder save that they must also have provided all such information as requested by the Responsible Entity as set out above.

Holders using the Coin Delivery Method should be aware that transfers of Bitcoin are generally irreversible. To the maximum extent permitted by law, the Responsible Entity takes no responsibility for, and has no liability to, any Holder who suffers a loss due to providing the Responsible Entity with an incorrect wallet address in respect of a redemption by way of the Coin Delivery Method.

2. Frequently Asked Questions

2.23 WHAT FEES ARE PAYABLE IN RELATION TO MY INVESTMENT IN THE COIN INTERESTS?

The fees and expenses are set in Section 8 (*Fees and Other Costs*) of this PDS. Holders will be charged a Creation Fee in relation to applications made directly to the Responsible Entity. Holders will be charged a Redemption Fee in relation to a Redemption Request for Coin Interests. Holders are not charged the Creation Fee or the Redemption Fee if they buy or sell Coin Interests on the Cboe market, but will be charged the Creation Fee or Redemption Fee (as applicable) if they lodge a Creation Request or Redemption Request directly with the Responsible Entity.

With respect to redemptions via the Coin Sale Method, in addition to the Redemption Fee. Holders may be charged any costs incurred by the Responsible Entity in facilitating a redemption of Coin Interests, and such costs will be deducted from the Sale Proceeds payable to the Holder (for example, Bitcoin network transaction fees and Bitcoin exchange fees and spreads).

Investors who purchase or sell their Coin Interests via the secondary market on Cboe will not be charged Creation Fees or Redemption Fees, however they may be subject to brokerage or other fees charged by their broker, and any buy-sell spread charged by a market maker.

The Responsible Entity will charge a Management Fee out of the Assets. The Management Fee will accrue daily (and be retained until the end of each month) and reduce the Coin Entitlement (and therefore, subject to any movements in the price of Bitcoin, the Net Asset Value per Coin Interest) at the end of each day. It will be paid across to the Responsible Entity at the end of each month in Bitcoin.

The Responsible Entity does not intend to be reimbursed for any ordinary expenses incurred by it in the operation of the Fund. To the extent there are any extraordinary expenses incurred by the Responsible Entity, the Responsible Entity may determine that such expenses will be reimbursed by the Fund. Please refer to Section 8 (*Fees and Other Costs*) of this PDS.

2.24 CAN I LOSE ALL OF MY INITIAL INVESTMENT?

Yes, an investor may lose all of their initial investment. Please refer to Section 5 (*Risk Factors*) for more information about the risks associated with the Coin Interests.

2.25 CAN I LOSE MORE THAN MY INITIAL INVESTMENT?

Provided an investor has not leveraged or otherwise borrowed to purchase Coin Interests, an investor who buys and holds their Coin Interests cannot lose more than their initial investment.

2.26 WHAT IS THE MINIMUM INVESTMENT?

One Coin Interest for Holders who acquire Coin Interests on Cboe. 10,000 Coin Interests for Holders who acquire Coin Interests via a Creation Request. Only Authorised Participants may submit a Creation Request.

2.27 WHAT ARE THE TAX CONSEQUENCES OF HOLDING A COIN INTEREST?

See Section 11 (*Taxation Considerations*) of this PDS for a general discussion of some of the significant tax consequences of acquiring a Coin Interest. You should be aware the tax summary does not take into account the specific circumstances of investors. Therefore, you should seek your own independent tax advice on the tax consequences of acquiring a Coin Interest having regard to its specific terms and your individual circumstances.

2.28 WHO IS THE REGISTRAR?

Computershare Investor Services Pty Limited act as registrar and maintain the registers of the Fund in Sydney, Australia.

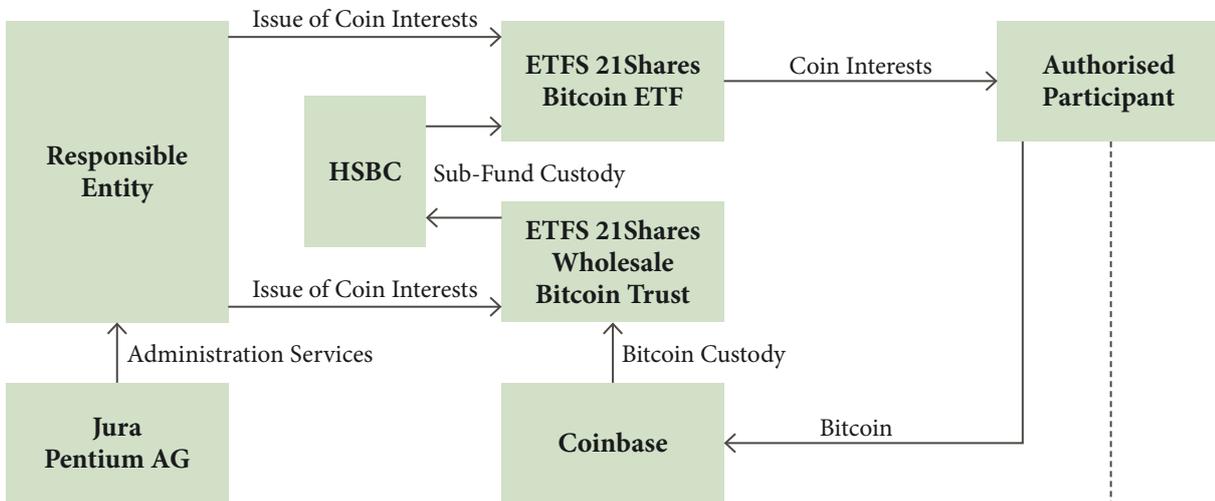
2.29 IS THERE A COOLING OFF PERIOD?

No cooling off period applies in relation to an investment in Coin Interests.

2.30 FUND STRUCTURE

The following diagram shows how Coin Interests in the Fund are created by Authorised Participants in the primary market and offered for sale to investors in the secondary market:

Primary Market – Creations



Secondary Market – Trading



3. About The Responsible Entity and 21Shares

3.1 ABOUT ETFS MANAGEMENT (AUS) LIMITED

ETFS Management (AUS) Limited (the “**Responsible Entity**”) is a company incorporated in the Commonwealth of Australia with ACN 150 433 828. The Responsible Entity holds an Australian financial service licence (AFSL No. 466778) and is regulated by ASIC.

The business purpose of ETFS Management (AUS) Limited is the establishment and management of an investment scheme platform to issue and offer exchange traded fund interests in Australia. These Coin Interests may be quoted on the ASX or the Cboe market. The Coin Interests offered in this PDS are expected to be quoted on the Cboe market.

The Responsible Entity is a subsidiary of ETFS Capital Limited (“**ETFSC**”).

The Responsible Entity operates 19 managed investment schemes, including the Fund and the Sub-Fund. The Responsible Entity draws on the experience and expertise from its parent company.

ETFSC is a Jersey company which was incorporated under the Companies (Jersey) Law 1991 on 20 August 2004 and prior to 8 May 2018 was named ETF Securities Limited. Its registered office is Ordnance House, 31 Pier Road, St Helier, Jersey, JE4 8PW, Channel Islands. ETFSC is the ultimate holding company of a group of companies which prior to the sale of its European and US businesses in April 2018 issued and provided management and other services to more than 300 exchange traded products similar to the Funds across Europe, Asia, Australia and the United States including 20 products currently listed across the ASX and Cboe markets. Immediately prior to the sale of its European and US Businesses funds under management across all products issued or managed by the ETFS Capital Group totalled approximately US\$25 billion. The Responsible Entity has sufficient working capital to operate the Fund in accordance with this PDS.

The Directors of the Responsible Entity as at the date of this PDS are:

Graham Tuckwell

Mr Tuckwell is the founder and chairman of ETF Securities Limited (now ETFS Capital Limited). Prior to the sale of the US and European businesses of ETF Securities in April 2018, Mr Tuckwell was director of ten other companies issuing exchange-traded commodities: Gold Bullion Securities Limited in Jersey, ETFS Metal Securities Australia Limited, ETFS Metal Securities Limited, ETFS Oil Securities Limited, ETFS Commodity Securities Limited, ETFS Foreign Exchange Limited, ETFS Hedged Commodity Securities Limited, Swiss Commodity Securities Limited, ETFS Hedged Metal Securities Limited and ETFS Equity Securities Limited. He was also a director of GO UCITS ETF Solutions plc and of its manager GO UCITS Management Limited in Ireland, a trustee of ETFS Trust in the U.S., as well as the President and Chief Executive Officer of ETF Securities USA LLC. Assets

under management immediately prior to the sale of those businesses were in excess of US\$25 billion. Previously, Mr Tuckwell was the founder and managing director of Investor Resources Limited, a boutique corporate advisory firm which specialised in providing financial, technical and strategic advice to the resources industry. He has more than 20 years of corporate and investment banking experience. Prior to the above activities, Mr Tuckwell was Head of Mining Asia/Pacific at Salomon Brothers, Group Executive Director at Normandy Mining responsible for Strategy and Acquisitions and Head of Mergers and Acquisitions at Credit Suisse First Boston in Australia. He holds a Bachelor of Economics (Honours) and a Bachelor of Laws degree from the Australian National University.

Dr Vince FitzGerald

Dr FitzGerald has been a Director of ACIL Allen Consulting Group Pty Ltd, an Australian consulting company in economics, public policy and economic and financial regulation. He was a director of that company from April 2013 until June 2020. From 1989 to 2013 he was a director of a predecessor company – Allen Consulting Group Pty Ltd. Prior to that time, he was a senior government official in Canberra, his career involving assignments in the Treasury, Prime Minister and Cabinet, Finance (Deputy Secretary), Trade (Secretary) and Employment, Education and Training (Secretary). He is a well-known expert on the superannuation industry in Australia and is a superannuation fund trustee. He was, until April 2018, the President of the Board of Governors of the Australian National University Endowment for Excellence. He was a member of the Victorian State Council of the Australian Institute of Company Directors, and for a number of years until 2015 its President and a member of the Institute’s national board. He is a Fellow of the Institute of Public Administration, Australia. He was until July 2017 a director of The Conversation Media Group Limited. He was formerly a director of ING Australia Holdings Limited and Chairman of its Audit and Risk Management Committees. He was previously a director of ETF Securities Limited prior to the sale of its European and U.S. businesses in April 2018. He holds a Bachelor of Economics (First class Honours in Econometrics and a University Medal) from the University of Queensland, a PhD in Economics from Harvard University, an Honorary Doctorate of Law from Monash University and an Honorary Doctorate of Economics from the University of Queensland. Dr FitzGerald was awarded an Officer of the Order in Australia in June 2016.

Mark Weeks

Mr Weeks is a Managing Director at ETFS Capital where he is responsible for the ongoing oversight of the investments made by the company. As part of his role in that capacity he is a director of Treasury Spring and ETFS Management (AUS) Limited and has also been a director of Moorgate Benchmarks and Ultumus. Previously Mr Weeks was the Chief Executive Officer of ETF Securities (UK) Ltd for 7 years and in this role was instrumental in transforming ETF Securities from an entrepreneurial start-up to a successful ETF Issuer, culminating in the sale of the

business in 2018. Prior to joining ETF Securities, Mr Weeks spent more than 20 years in the Securities Finance and Lending business. This included UBS, where he ran the securities lending franchise in Zurich, Switzerland and 7 years at Goldman Sachs International London, where, as a Managing Director, he was responsible for running the European Securities Finance sales and trading desk, servicing major institutional and hedge fund clients. This desk formed a core part of Goldman Sachs' Prime Brokerage business. He also spent time at London Global Securities and Morgan Stanley International before joining Goldman Sachs. Mr Weeks holds a Bachelor of Arts (Honours) in Business Studies from Kingston Polytechnic.

3.2 ABOUT 21SHARES AG

Amun Holdings Limited is the parent company of 21Shares AG and Jura Pentium AG (21Shares Group). Jura Pentium AG is the Administrator of the Fund and provides a range of services to the Responsible Entity in relation to the Fund.

The 21Shares Group pioneered the development of physically backed crypto-asset exchange traded products ("ETPs").

Established in 2018, 21Shares AG was the first issuer to create and launch physically backed cryptocurrency exchange traded products. Since then, the group has gone on to develop and operate the world's most comprehensive suite of products providing access to cryptocurrencies including more than 20 cryptocurrency ETPs available across Europe on some of the largest regulated markets including Euronext, Xetra and SIX. Funds under management across all exchange traded products issued and operated within the 21Shares Group total approximately US\$2.5 billion as at the date of this PDS.

Jura Pentium AG also provides issuance and administration services to third parties looking to gain access to the crypto-ETP space. Both 21Shares and third-party products are operated using Onyx, the proprietary administration software developed and managed by the 21Shares Group.

Jura Pentium AG will provide the administration services to the Responsible Entity as set out in section 10.1(a) and also support the Responsible Entity through the provision of high-quality cryptocurrency research.

4. The Bitcoin

4.1 WHERE IS THE BITCOIN HELD?

The Bitcoins that back the Coin Interests are held in Secured Accounts at the Custodian. Bitcoins attributable to the Coin Interests are held in “Cold Storage” accounts. The accounts at the Custodian are separate segregated accounts maintained by the Custodian in the name of the Responsible Entity as trustee of the Sub-Fund which evidence and record the Bitcoins held by the Custodian as well as the withdrawals from and the deposits to each account.

4.2 STORAGE AND INSURANCE OF THE BITCOIN

The Custodian will be responsible for the safekeeping of the Bitcoin held in the Secured Accounts. The primary business activity of the Custodian in respect of its role to the Responsible Entity is to act as custodian of the Bitcoin.

As at the date of this PDS, the Responsible Entity understands that the Custodian holds an insurance policy providing an insurance coverage limit of US\$320,000,000 (per incident and overall) in respect of crypto-assets held by the Custodian. This policy applies to all crypto-assets held by the Custodian and not just the Fund’s assets. If the Custodian was to make insurance claims in relation to losses of crypto-assets held by third parties which exceed US\$320,000,000, then any subsequent theft or similar losses of Bitcoin owned by the Fund may effectively be uninsured until such a time as the Custodian obtains further insurance coverage. Pursuant to the Custody Agreement, the Custodian must make such insurance arrangements in connection with its custodial obligations with respect to the Fund’s Bitcoin as it considers commercially reasonable. The Custodian is under no specific obligation to take out separate insurance limited to only Bitcoin held by the Fund. There is a risk the Custodian may not maintain adequate insurance with respect to the Bitcoin held by the Custodian on behalf of or credited to the accounts of the Fund.

Under the Custody Agreement, the Custodian is liable for up to US\$100,000,000 in respect of each cold storage address used by the Fund. The Responsible Entity will aim to ensure Bitcoin held by the Fund are distributed across an appropriate number of cold storage addresses such that no one cold storage address holds greater than US\$100,000,000 worth of Bitcoin at any one time. However there is no guarantee that a loss of such amounts would be covered by the Custodian’s insurance and there is no guarantee the Responsible Entity would otherwise be able to recover any such amounts in the event the Responsible Entity was to make a claim under the Custody Agreement.

Please refer to section 5.5 for more information on insurance risk.

4.3 BITCOIN MARKET OVERVIEW

4.3.1 WHAT IS BITCOIN?

Bitcoin was the first blockchain ever developed. In 2008, Satoshi Nakamoto, a pseudonym for an individual (or

possibly a group of individuals), published a research paper describing a new digital currency called Bitcoin.

Shortly thereafter, in 2009, this individual mined the first 50 Bitcoins, known as the genesis block. To date, no individual or group has been reliably identified as the creator of the Bitcoin network and these creators disappeared shortly after the mining of the genesis block.

Initially, the network was formed by a small group of initial participants and only began to gain traction after the first year of operations. It has since evolved into a vast peer to peer payments network with no centralised authority.

Today the Bitcoin network is maintained by a growing number of miners, developers, wallet providers, software companies, and account holders. Since Bitcoin is, at its core, an open source project, there is no official organisation or authority that governs the codebase (a computer programme). However, there are a number of groups who unofficially promote and maintain the network.

Mining

As more participants join or leave the network and the number of transactions rises, the network itself cannot verify and confirm transactions anymore, which would result in an information gap in the transaction chain and thus undermine the idea of the network. In order to solve this problem, the blockchain codebase provides for blocks of a given size (e.g., Bitcoin’s 1 megabyte) and allocates a computationally complex numeric problem (a “hash”, which is a 64-digit hexadecimal number) to each block. The mining process involves compiling recent transactions (which vary in size) into the blocks and trying to solve the numeric problem, once the block reaches its fixed size.

Solving the numeric problem requires great computing power. For that matter, it is the computing power that gives legitimacy to the information chain of the transactions and thus stability to the cryptocurrency. The miner who first solves the numeric problem gets to place the next block on the blockchain and claim the rewards for successfully completing a block and confirming the transactions contained in the block. Therefore, mining is the process by which transactions are verified and confirmed, reaching consensus in the network (distributed consensus), and, as a result of this agreement, displayed on the public ledger, which is the blockchain, and also the means through which new coins are released into circulation, meaning that new coins are constantly created by huge datacentres processing complex numeric problems, or “proof of work”.

The rewards incentivise mining. Rewards may be both transaction fees associated with the transactions compiled in the block as well as newly released coins (provided for in the blockchain codebase). Cryptocurrency miners earn cryptocurrencies by confirming transactions and reaching consensus as a compensation for their computing power.

Furthermore, mining can also give “voting power” when changes are proposed in the blockchain codebase. In other words, a successful miner has influence on the decision-making process on such matters as forking.

Uses of Bitcoin

The use cases of Bitcoin can include:

- > Data on the global market;
- > Exchange market;
- > Goods and Services; and/or
- > Peer to Peer Transactions.

Safety & Security: How is Bitcoin stored?

After purchase, Bitcoin is regularly stored in a “digital wallet” on a computer, laptop or smartphone. Digital wallets, similar to a bank account, identify the participant and allow transactions. These digital wallets are usually protected by a private key or password. Digital wallets also usually have a public key and a private key or a password, which allows access and thus authority to dispose of the crypto assets.

Cold storage in the context of crypto assets means keeping the reserve of crypto assets offline, which is a widely-used security precaution, especially when dealing with a large amount of crypto assets. Crypto assets held under custodianship with the Custodian will be kept in high-security, offline, multi-layer cold storage vaults. This means that the private keys, the cryptographic component that allows a user to access crypto assets, are stored offline on hardware that has never been connected to the internet. Storing the private key offline minimises the risk of the crypto assets being stolen.

All private keys are securely stored using multiple layers of high-quality encryption and in Custodian-owned offline hardware vaults in secure environments. No customers or third parties are given access to the Custodian's private keys. The use of multiple private keys makes retrieving crypto assets from the wallet more difficult, and aims to further reduce the risk of hacking theft and/or robbery.

Please refer to section 5.2 for more information on hacking risk.

Forks

Bitcoin and many other crypto currencies are open source projects. As a result, any individual can propose refinements or improvements to a network's source code through one or more software upgrades that could alter the protocols governing the Bitcoin network and the properties of bitcoin. When a modification is proposed and majority of users and miners consent to the modification, the change is implemented and the network remains uninterrupted. However, if less than a majority of users and miners consent to the proposed modification, and the modification is not compatible with the software prior to its modification, the consequence would be what is known as a “fork” (i.e., a “split”) of the network (and the blockchain), with one prong running the pre-modified software and the other running the modified software. The effect of such a fork would be the existence of two versions of the network running in parallel, and the creation of a new digital asset which lacks interchangeability with its

predecessor. Additionally, a fork could be introduced by an unintentional, unanticipated software flaw in the multiple versions of otherwise compatible software users run.

There have been two major Bitcoin forks:

- > In 2011, Charlie Lee changed three key parameters of the Bitcoin code – increasing the total supply of the forked currency to 84 million (since known as Litecoins (LTC)) from Bitcoin's 21 million, reducing target block confirmation time to 2.5 minutes, and implementing an ASIC (application-specific integrated circuit)-resistant memory-hard Proof of Work algorithm (which reduced the risk of centralised mining) – creating Litecoin.
- > In 2017, a group of Bitcoin developers forked Bitcoin, this time creating a replica of the blockchain (a hard fork), in an attempt to resolve perceived problems with Bitcoin's scalability, as transactions were taking a long time, making the currency unattractive for small transactions. This new currency was called Bitcoin Cash and is mostly distinguished by a block size limit of 8 megabytes (as opposed to Bitcoin's 1 megabyte) as well as a difficulty adjustment algorithm. The block rewards, target block time, and supply limit are identical to Bitcoin, 12.5, 10 minutes, and 21 million respectively.

Significant forks are typically announced several months in advance. The circumstances of each fork are unique and their relative significance varies. Not all forks will be supported by all custodians of Bitcoin.

A fork effectively creates a new cryptocurrency and would not affect the value or operation of Bitcoin except to the extent that demand for the new cryptocurrency causes a shift in demand for Bitcoin or otherwise causes a change to the perceived value of Bitcoin.

Please refer to section 5.18 for more information on fork risk.

Valuation and Pricing of Bitcoin

The market value of Bitcoin is not related to any specific company, government or asset. The valuation of these Bitcoin depends on future expectations for the value of the network, number of transactions and the overall usage of the asset. This means that a significant amount of the value in Bitcoin is speculative and could lead to increased volatility.

The most common means of determining the value of a Bitcoin is through one or more Bitcoin exchanges where Bitcoin is traded (a “**Bitcoin Exchange**”). Such exchanges publicly disclose the “times and sales” of the various listed pairs. Some indices have been developed to produce a composite average value for Bitcoin across several Bitcoin Exchanges.

Investors can value their investment by multiplying an appropriate index value by the aggregate Coin Entitlement of their Coin Interests. Bitcoin prices are available from Bitcoin markets which operate at different times. The fragmentation of different Bitcoin markets however can potentially lead to divergence on prices. Data aggregators can be used to capture prices from different markets.

4. The Bitcoin

The Fund aims to track CryptoCompare's Crypto Coin Comparison Aggregated Index ("CCCAGG") (before fees and costs). CCCAGG represents a real-time, USD-equivalent spot rate for Bitcoin. The index value is algorithmically calculated in real time based on observed trading activity on over 70 Bitcoin exchanges. The index has been in operation since April 2014 and was launched publicly on November 3, 2014.

The CCCAGG Index is designed as a reference rate to track liquidity while also adjusting for deviations caused by anomalies and manipulation attempts at individual exchanges. Key elements of the algorithm are outlined below and the full methodology is available here: www.cryptocompare.com.

Volume Weighted Average

CCCAGG uses 24 hour volume weighted average to calculate prices. 24 hour volumes are calculated solely based on transactional data. This way CCCAGG is giving the most liquid market prices more importance, and price impact of illiquid (and therefore more volatile) markets are negligible.

Time Adjustment

Next to volume weighting, a time penalty factor is also added, to ensure that exchanges that suspend trading has an expiring price impact.

Aggregation Over Trading Currency

CCCAGG only takes direct trading pairs into consideration for calculation. For example CCCAGG BTC-USD only accepts trades from exchanges trading BTC-USD directly, therefore no conversion needed for the aggregated index calculation.

The reason for this methodology is that a coin can trade on multiple currency markets with a significant price difference (premium or discount), therefore aggregating across all markets will result in an average price that is not useful for a trader or investor who holds a crypto position in a certain currency and will most likely trade in that currency.

Outlier Detection

Aside from qualitative based assessment on exchange suitability, CCCAGG also utilises both real-time and historical outlier detection mechanisms to exclude certain trades. This plays a crucial role in maintaining an accurate Index, because any outliers can have a sizable impact on the CCCAGG value. For a trade to be considered an outlier, it must deviate significantly either from the median of the set of exchanges (historical), or from the previous index price (real-time). This kind of deviation could occur for a number of reasons – for example low liquidity on a particular instrument, erroneous data from an exchange or incorrect mapping of an instrument.

Please refer to section 5.1 for more information on Bitcoin price risk.

Vulnerabilities

The infrastructure and ecosystem that power crypto assets such as Bitcoin and Ethereum are developed by different parties, including affiliated and non-affiliated engineers, engineers, developers, miners, platform developers, evangelists, marketers, exchange operators and other companies based around a service regarding the underlying crypto assets, each of whom may have different motivations, drivers, philosophies and incentives.

Source-Code Vulnerabilities

Malicious actors naturally seek to take advantage of flaws and defects in the prevailing source-code of the Bitcoin network. A number of defects have, to date, been found and corrected and instances of malicious actors retaining Bitcoin as a result of exploitation of these are rare. The Bitcoin community has, to date, successfully reversed manipulated transactions that have been identified (including through updated versions of the protocol underlying the Bitcoin network). The core developers of the Bitcoin network, together with other developers, users and miners are vigilant to identify and quickly resolve flaws.

> 51% Computational Programming Power

If a malicious actor acquired a majority of the computational power of the Bitcoin network (or its 'hashrate') it could, inter alia, reverse transactions, prevent transactions from being confirmed, and or prevent miners from mining any new valid blocks. It is widely believed that the immense computational power now required to acquire such majority makes this an extremely remote likelihood.

Double-Spending Risk

This form of attack involves the malicious actor(s) creating a valid new block which contains an instance of a double-spend transaction. The release of the new block is timed so as to be added to the Blockchain before a target user's legitimate transaction can be included in a block. Such attacks are expensive to co-ordinate and require great speed and accuracy. They are most likely to be effective where a transaction requires zero-confirmations. Relying on multiple confirmations is an effective means of defence. Adjusting a user's software programme to connect only to other well-connected nodes and to disable incoming connections is an additional precaution that can be taken.

On an exchange with multiple currency trading pairs, it would be possible for a person or individual controlling the majority of a blockchain network to double-spend the coins they control and then subsequently trade them for other currency pairs and transfer them off the exchange to their own private wallet(s). This scenario is more likely to happen with smaller currencies (by measure of market capitalisation) because of the reduced computing power threshold required to control a majority of the network, and has been documented happening multiple times, targeting currencies such as Bitcoin Gold and Verge. It is theoretically possible, even if it is computationally expensive, to mount a similar 51% or double spending attack on a large currency (by measure of market cap), including Ethereum and Bitcoin.

Processing Power Risk

Miners generate revenue from both newly created crypto assets (known as the “**block reward**”) and from fees taken upon verification of transactions. If the aggregate revenue from transaction fees and the block reward is below a miner’s cost, the miner may cease operations. Additionally, in the event of a fork of the relevant crypto asset network, some miners may choose to mine the alternative new bitcoin resulting from the fork, thus reducing processing power on the original blockchain. An acute cessation of mining operations would reduce the collective processing power on the blockchain, which would adversely affect the transaction verification process by temporarily decreasing the speed at which blocks are added to the blockchain and make the blockchain more vulnerable to a malicious actor obtaining control in excess of 50% of the processing power on the blockchain. Reductions in processing power could result in material, though temporary, delays in transaction confirmation time.

Please refer to section 5.19 for more information on technical risks.

Competitor Crypto Currencies

Although Bitcoin is unarguably the dominant cryptocurrency, there are many (and an ever-increasing number of) other such currencies for example, Ethereum, the foremost of the competitor currencies in terms of market capitalisation. Each one of these crypto-currencies seeks to provide something unique that Bitcoin does not offer. Bitcoin is the crypto-currency with which the general public are likely to be most familiar.

Bitcoin Exchanges

Currently there are a large number of marketplaces across the globe for Bitcoin and online Bitcoin Exchanges represent a very substantial proportion of all Bitcoin transactions. Bitcoin Exchanges are also the source of most data in connection with assessments of the value of Bitcoin. Additionally, the use of an index computed by reference to valuation data from a number of Bitcoin Exchanges should result in a more accurate assessment of the market price of Bitcoin and will also reduce the significance of anomalies or technical or liquidity difficulties experienced from time to time on any particular Bitcoin Exchange. The greatest liquidity has been in Bitcoin against US Dollars and Japanese Yen.

Many Bitcoin Exchanges remain unregulated, which requires a prudent trader to apply strict counterparty policies. However, Bitcoin Exchanges have evolved considerably since the bankruptcy of the Mt Gox exchange (a Bitcoin Exchange based in Tokyo) in 2014.

To date there have been no direct breaches of the Bitcoin network, rather breaches which have occurred have been of the security of the market participants themselves (for example, situations where hackers have obtained access credentials to the Bitcoin network). The Responsible Entity remains confident that no such ‘direct-to-network’ breaches of the Bitcoin network are likely.

The following are some of the more prominent Bitcoin Exchanges:

Bitstamp (www.bitstamp.net)

Bitstamp was founded in 2011 in Slovenia by Nejc Kodrič and Damijan Merlak, but was moved to the U.K in 2013. Today the company is owned by its founders and the San Francisco, California, USA-based venture company Pantera. Bitstamp is the third largest market in terms of Bitcoin trade against USD and the only entirely European-based Bitcoin market. The Bitcoin price from Bitstamp is included in several large Bitcoin indices, such as Winkdex and Coindex. In the beginning of 2015, Bitstamp lost approximately 19,000 Bitcoin, following which this exchange made major changes to its platform. The company is now widely considered to have a high degree of credibility as its owners are well-known and it is supported by a well-known venture company. The company does not offer trade with leverage and, in 2016, was granted a licence by Luxembourg’s Ministry of Finance, making Bitstamp the first regulated and licensed virtual currency exchange in the European Union.

Coinbase (www.coinbase.com)

Coinbase was founded in 2012 by Brian Armstrong and Fred Ehrsam. It is currently the largest cryptocurrency exchange in the United States by trading volume. They broker exchanges of Bitcoin, Bitcoin Cash, Ethereum, Ethereum Classic, Litecoin, Tezos, and many other cryptocurrencies, with fiat currencies in approximately 32 countries, and bitcoin transactions and storage in 190 countries worldwide. Coinbase also provide a range of other services in the crypto space including institution custody and cold storage.

Kraken (www.kraken.com)

Founded in 2011, and based in San Francisco, California, USA, Kraken is the largest Bitcoin Exchange in euro volume and liquidity and also trading Canadian Dollars, US Dollars, Sterling and Japanese Yen. Kraken has, historically, been well-rated by independent news media. Kraken was the first Bitcoin Exchange to have trading price and volume displayed on the Bloomberg Terminal, the first to pass a cryptographically verifiable proof-of-reserves audit and is a partner in the first cryptocurrency bank. Kraken is used by hundreds of thousands of traders, the Tokyo government’s court-appointed trustee and Germany’s (BaFin-regulated) Fidor Bank.

ItBit (www.itbit.com)

itBit is a financial services company that offers a suite of Bitcoin trading services designed for institutions and professional traders. Their global Bitcoin Exchange offers a powerful platform to securely buy and sell Bitcoin. itBit is the only company in the Bitcoin space that offers both a Bitcoin Exchange and an OTC agency-trading desk. Its OTC desk is a boutique-service that specialises in large Bitcoin trades (starting at over 100 Bitcoins). itBit was co-founded in 2013 by CEO Chad Cascarilla and has

4. The Bitcoin

offices in key global financial markets, including New York, London and Singapore. itBit Trust Company LLC is registered with New York State Department of Financial Services (“NYSDFS”).

Gemini (www.gemini.com)

Gemini is a New York-based digital asset exchange for both individuals and institutions. It is regulated by the NYSDFS and held to stringent capital reserve requirements and banking compliance standards.

Crypto Assets trade 24 hours every day (including Saturday, Sunday and public holidays). The on-exchange trading hours of the Coin Interests are restricted to the trading window available on the Cboe market. Holders cannot invest in or sell the securities on-exchange outside of market hours. This restriction could limit Holders’ ability to react to price movements or volatility in crypto markets.

Legal and Regulatory Environment

The legal status of Bitcoin varies substantially from country to country. In many countries, the legal status is still undefined or changing. Some countries have deemed the usage of Bitcoin illegal. Other countries have banned Bitcoin or securities or derivatives in respect to them (including for certain categories of investor), banned the

local banks from working with Bitcoin or restricted Bitcoin in other ways. Furthermore, the status of Bitcoin remains undefined in many jurisdictions and in such jurisdictions there is uncertainty as to whether the underlying Bitcoin are a security, money, a commodity or property. In some countries different government agencies define Bitcoin differently, leading to regulatory conflict and uncertainty. This uncertainty is compounded by the rapid evolution of regulations. Countries may, in the future, explicitly restrict, outlaw or curtail the acquisition, use, trade or redemption of Bitcoin. In such a scenario, holding or trading securities tracking or linked to Bitcoin, such as the Fund, could be considered illegal and could be subject to sanction.

The regulation of Bitcoin is subject to change. It cannot, therefore, be ruled out that the regulatory treatment of Bitcoin or products linked to Bitcoin by national authorities and courts or international standard setting bodies could be subject to changes in the future. The taxation of Bitcoin and associated companies can also vary significantly by jurisdiction and are subject to significant revisions.

Please refer to sections 5.15 and 5.16 for more information on legal and regulatory risks.

A summary of the taxation considerations applicable to the Coin Interests is set out in section 11.

5. Risk Factors

An investment in the Fund will involve a degree of financial and investment risk. Investors should carefully consider the risks in this section, as well as the other information contained in this PDS, before making an investment in the Coin Interests. The key risks of an investment in the Coin Interests are set out below. However, these are not the only risks and investors should speak to their financial, legal and tax advisers to determine if an investment in the Coin Interests is appropriate for their particular circumstances and to understand the risks involved before investing.

The return of capital and the performance of the Coin Interests is not guaranteed by any person or organisation, including the Responsible Entity or any entity within the ETFS group of companies. Investors should be aware that there is no guarantee that the investment strategy used will meet the investment objectives of the Coin Interests or that the process will not result in losses.

5.1 BITCOIN PRICE RISK

The Bitcoin market has the potential to suffer from market disruption or volatility caused by shortages of supply and demand for Bitcoin.

Such events could result in a spike or fall in Bitcoin prices. Volatile Bitcoin prices can also result in the bid-offer spread on any stock exchange or market where the Coin Interests are traded to widen, reflecting the volatility in Bitcoin.

Bitcoin prices, and therefore the value of the Coin Interests, may also be impacted by:

- > financial activities including investment trading, hedging or other activities conducted by large trading houses, miners, users, hedge funds, commodities funds, governments or other speculators; and
- > financial market factors such as investors' expectations with respect to the future rates of inflation, movements in world equity, financial and property markets, interest rates and currency exchange rates, particularly the strength of and confidence in the US dollar.

5.2 HACKING RISK

Holder bear the risk of a theft or hacking of Fund assets which may, in turn, cause a decline in value of the Coin Interests. Thefts and cyber-attacks can have a negative impact on the reputation of the Bitcoin and thus negatively affect the value of the Coin Interests. Holders would indirectly participate in such a negative performance. While the Responsible Entity and the Custodian have taken reasonable measures to prevent a theft or hacking of the Bitcoin held by the Fund, such event cannot be fully excluded and the losses associated with such an event would be borne by Holders. Moreover, incidences of theft or hacking of crypto assets other than Bitcoin can also negatively influence the market price, value, or liquidity of the Bitcoin.

5.3 CURRENCY RISK

Bitcoin held by the Fund is valued in US dollars whereas the Net Asset Value of the Coin Interests and the price at which the Coin Interests will be quoted on the Cboe market is calculated in Australian Dollars. This means that an investor is exposed to changes in the exchange rate between the US dollar and the Australian Dollar. The value of a Coin Interest may therefore change even if there is no change in the underlying price of Bitcoin.

The Responsible Entity will not enter into any hedging transactions in relation to the foreign exchange risks of the Fund.

To the extent that a Holder values Coin Interests in another currency, that value will be affected by changes in the exchange rate between the US dollar and that other currency.

5.4 TRACKING ERROR RISK

At any time, the price at which the Coin Interests trade on the Cboe market may not reflect accurately the price of Bitcoin represented by such Coin Interests. The creation and redemption procedures for the Coin Interests and the role of certain Authorised Participants as market makers are intended to minimise this potential difference or "tracking error". However, the market price of the Coin Interests will be a function of supply and demand amongst investors wishing to buy and sell the Coin Interests and the bid-offer spread that market makers are willing to quote for the Coin Interests, as well as the daily deduction of the Management Fee.

In addition, if new demand for Coin Interests exceeds the availability of the Bitcoin required to create such new Coin Interests, then the issue of new Coin Interests will be restricted and therefore Coin Interests may trade at a premium. Investors who pay a premium risk losing the premium if demand for Coin Interests abates or when new Coin Interests are issued. Investors are dependent on there being Authorised Participants and market makers making a market in Coin Interests in order to minimise tracking error.

5.5 ACCESS AND INSURANCE RISK

Bitcoin will be held by the Custodian in its secure cold-storage facilities. Access to such Bitcoin could be restricted by natural events, such as flooding, or human actions, such as terrorist attack. As at the date of this PDS, the Responsible Entity understands that the Custodian holds an insurance policy providing an insurance coverage limit of US\$320,000,000 (per incident and overall) in respect of crypto-assets held by the Custodian. This policy applies to all crypto-assets held by the Custodian and not just the Fund's assets. If the Custodian was to make insurance claims in relation to losses of crypto-assets held by third parties which exceed US\$320,000,000, then any subsequent theft or similar losses of Bitcoin owned by the Fund may effectively be uninsured until such a time as the Custodian obtains further insurance coverage. Pursuant to the Custody Agreement, the Custodian must make such

5. Risk Factors

insurance arrangements in connection with its custodial obligations with respect to the Fund's Bitcoin as it considers commercially reasonable. The Custodian is under no specific obligation to take out separate insurance limited to only Bitcoin held by the Fund. There is a risk the Custodian may not maintain adequate insurance with respect to the Bitcoin held by the Custodian on behalf of or credited to the accounts of the Fund.

In the event that insurance coverage is insufficient to cover the incident, it is possible that Holders could bear significant losses.

5.6 LIQUIDITY RISK

Although Coin Interests will be quoted on the Cboe market there is no guarantee that there will be a liquid market for the Coin Interests. Furthermore, in certain circumstances, Cboe may suspend trading of the Coin Interests. Investors are dependent on there being market makers making a market in Coin Interests to ensure liquidity.

If a market maker becomes unable to provide the market making services, the liquidity of the market for Coin Interests will be adversely affected. In these circumstances, the Responsible Entity will assume the obligations of a market maker and will seek to appoint another market maker.

There can be no assurance as to the depth of the secondary market (if any) in Coin Interests, which could affect their liquidity and market price.

5.7 RESPONSIBLE ENTITY RISK

There is a risk the Fund could terminate, the fees and expenses could change or the Responsible Entity could be replaced as responsible entity of the Fund. Further, operational risks which arise as a result of carrying on a funds management business require the Responsible Entity and its external service providers to implement sophisticated systems and procedures. Some of these systems and procedures are specific to the operation of the Fund, and inadequacies within these systems and procedures or the people operating them could lead to a problem with the Fund's operation.

5.8 CUSTODIAN LIABILITY RISK

The Fund will be exposed to the credit risk of depository institutions with whom it holds Bitcoin (as at the date of this PDS, this only includes the Custodian). Credit risk, in this case, is the risk the depository holding Bitcoin will fail to fulfil an obligation or commitment to the Fund. The Fund's Bitcoin are maintained by the Custodian in segregated accounts, which are intended to be protected in the event of insolvency of the Custodian. However, any insolvency of the Custodian may result in delayed access to the Fund's Bitcoin and in such a situation, Holders may face a loss due to Bitcoin price fluctuation. It is important to note that no party, including the Custodian, the Administrator or the Responsible Entity is liable for the loss of Bitcoin. In the case of theft, the liability belongs solely to the Holders.

5.9 ONLY AUTHORISED PARTICIPANTS MAY APPLY FOR COIN INTERESTS IN THE FUND

Only Authorised Participants may deal with the Fund directly in applying for the Coin Interests – all other persons must buy Coin Interests through trading on the Cboe market. Although any Holder may redeem their Coin Interests directly with the Fund, it is generally expected that only Authorised Participants will redeem Coin Interests directly with the Fund and that other persons will realise their investment by trading on the Cboe market rather than redeeming directly with the Fund. The Responsible Entity has agreed to use reasonable endeavours to ensure that at all times there are at least two Authorised Participants. There can, however, be no assurance that there will at all times be an Authorised Participant to deal with the Fund in applying for or redeeming Coin Interests. In circumstances where there are no Authorised Participants, no new Coin Interests could be created (this is because only Authorised Participants may apply for new Coin Interests). It may also be difficult or impossible to sell Coin Interests on the Cboe market at a price which accurately reflects the price of the Bitcoin represented by such Coin Interests or within a reasonable time period (although Holders will be entitled to redeem their Coin Interests in accordance with this PDS).

5.10 COMPULSORY EARLY REDEMPTION OF COIN INTERESTS IN THE FUND

The Fund may in certain circumstances redeem all or a portion of a Holder's Coin Interests.

Circumstances which may result in the Fund redeeming a Holder's Coin Interests early, and the notice periods that apply to such redemptions are set out in Section 10.2 (*Summary of Material Documents*) of this PDS and include where the Custodian terminates the Custody Agreement and the Fund is unable to find a suitable replacement Custodian. In these circumstances, the Fund will elect to redeem the outstanding Coin Interests.

Consequently, an investment in Coin Interests may be redeemed earlier than desired by a Holder.

5.11 PERFORMANCE BY THE RESPONSIBLE ENTITY AND PARTIES TO MATERIAL CONTRACTS

The value of a Coin Interest depends on the ability of the Responsible Entity to perform its obligations under the Trust Deed as well as the ability of various persons to perform their obligations under the material contracts summarised in Section 10.2 (*Summary of Material Documents*) of this PDS. These obligations are unsecured contractual obligations of the Responsible Entity or other third parties which will rank equally with other unsecured contractual obligations of these parties other than liabilities mandatorily preferred by law. Investors must make their own assessment of the ability of the Responsible Entity and

any person involved in performing an obligation under the Transaction Documents in meeting their obligations concerning the Coin Interests.

5.12 GENERAL MARKET RISK

General movements in local and international markets and factors that affect the investment climate and investor sentiment could all affect the level of trading and, therefore, the market price of the Coin Interests. These risks are generally applicable to any investment in quoted securities. Holders should be aware that the Coin Interests can go down in price as well as up and investors may lose the value of all or part of their investment.

5.13 LIMITED RECOURSE

Upon redemption, the Holder only has recourse to an entitlement to receive delivery of an amount of Bitcoin equal to the Coin Entitlement, being the amount of Bitcoin represented by the Coin Interest, from the Responsible Entity (or the equivalent amount of cash in respect of a cash redemption via the Coin Sale Method, less any redemption costs).

Should there be insufficient Bitcoin in the Separate Trust, the Holder will have no recourse to any other assets of the Responsible Entity or the Fund (except to the extent that the shortfall is due to fraud, wilful default or negligence). If the Custodian should fail to deliver the Bitcoin from the relevant account, the Responsible Entity may transfer its rights against the Custodian to the Holder in settlement of its obligation to deliver the Bitcoin.

5.14 BARE TRUST RISK

The tax treatment of an investment in a Coin Interest depends on the Holder being “absolutely entitled” (for tax purposes) to the assets of the Separate Trust. The state of the law relating to absolute entitlement is subject to some uncertainty and it is important that investors are aware of the general risks relating to the tax treatment of custodial or bare trust investments such as the Coin Interests. These risks are discussed in further detail in Section 11 (*Taxation Considerations*).

There are certain circumstances in which a Separate Trust may not be effectively established under the terms of the Trust Deed. This includes for example if the Trust Deed is found to be defective or void, or if a Separate Trust is found not to have been created as a matter of law.

5.15 TAX RISK AND REGULATORY CHANGE RISK

The expected tax treatment of the Coin Interests or an investment in the Coin Interests may change as a result of changes in the applicable taxation and laws and interpretation of them and may impact the value of the Coin Interests. These revisions, or the application of new tax schemes or taxation in additional jurisdictions, may adversely impact the Fund’s performance. A general summary of the treatment of the holding of Coin Interests

is set out in Section 11 (*Taxation Considerations*). We recommend that all investors seek independent tax advice before investing in the Coin Interests. None of the Responsible Entity, ETFS (AUS) Pty Limited nor any member of the ETFS Capital Group, and none of Jura Pentium AG, 21Shares AG, nor any other member of the 21Shares Group of companies provides tax advice to investors and, does not take any responsibility for, the taxation implications in respect of an investment in the Coin Interests. The operation of the Fund and the offer of the Coin Interests and investments therein are subject to various laws and regulations which may change during the term of a Holder’s investment.

5.16 CHANGE OF LAW RISK

Changes in regulations or laws may adversely affect the performance of the Coin Interests or the ability of the Fund to continue to meet its investment objectives with respect to the Coin Interests. Bitcoin is a relatively new asset and as such its regulatory status and legal standing in different jurisdictions is not consistent or certain and any change in either of these could have a material impact on the value of Bitcoin and therefore the value of the Coin Interests. No assurance can be given as to the impact of any possible individual decision or changes to laws and regulations which could have a negative impact on an investor’s return. As a result of such changes, the purchase of Bitcoin including instruments which track the price of Bitcoin, such as the Fund may be prohibited or otherwise restricted.

5.17 CONCENTRATION RISK

The Coin Interests aim to track the performance of the price of Bitcoin, before fees and expenses. As such, the Fund’s holdings with respect to the Coin Interests will not be diversified which may result in a greater degree of volatility in the Net Asset Value of the Coin Interests over time, relative to the value of a more broadly diversified portfolio.

5.18 FORK RISK

Bitcoin may be subject to occasional Forks which may result in the Fund holding crypto assets which are not Bitcoin. By becoming a Holder, you irrevocably authorise and direct the Responsible Entity to sell any Claimable Forked Assets on your behalf and distribute the proceeds to you in cash, such sales of Claimable Forked Assets being on the same terms as those applying to the Coin Sale Method. Any such Forked Assets able to be claimed by the Fund will be disposed of as soon as practicable, resulting in a cash distribution for Holders. There is a risk that the Fund will not be able to claim any Forked Assets, for example, if the Custodian determines that it will not support the holding of such assets. Under the Custody Agreement, the Custodian is not obligated to support the holding of any Forked Assets and the Custodian assumes absolutely no liability, obligation or responsibility whatsoever in relation to such assets. For the purposes of determining the Net Asset Value, any Forked Assets which

5. Risk Factors

are unclaimable will be deemed to have a value of zero. This valuation may be subject to change if, for example, in the future the Custodian determines that it will support such assets. In such a case, any investors who held Coin Interests at the time of a Fork and sold the Coin Interests during the period in which any resulting Forked Assets were unclaimable would not have any rights against the Fund or any other person in respect of the value of any Forked Assets that become Claimable Forked Assets. In this respect, a holding of Coin Interests in the Fund may not be equivalent to a direct holding of Bitcoin. Additionally, the Custodian is permitted to temporarily suspend its operations if a Fork occurs, consequently, trading in Coin Interests on the Cboe market may also be suspended as a result of a Fork. The Responsible Entity may also suspend redemptions and creations during any period in which there are Claimable Forked Assets.

Unless an announcement is made informing Holders that a Fork will be supported by the Custodian, any newly-Forked Asset should be considered unclaimable. Given the nature of Forks and the frequency of Forks in Bitcoin, the Responsible Entity does not expect the effect of Forks to be a material consideration for Holders however Holders should still be aware of the risk associated with Forks described herein. The assessment of whether to support a Fork or not is entirely within the Custodian's discretion.

Newly-Forked Assets may have less liquidity than more established assets, and may be difficult for the Fund to dispose of in a timely manner, resulting in a greater risk of an extended period of suspension of trading of Coin Interests in the Fund. The circumstances of each Fork are unique and their relative significance varies. It is possible that a particular Fork may result in a significant disruption to Bitcoin and, potentially, may result in a market disruption event should pricing become problematic following the Fork. It is not possible to predict with accuracy the impact that any anticipated Fork could have for how long any resulting disruption may exist.

5.19 TECHNICAL RISK

There are a number of technical risks to which investors in Bitcoin are exposed including, but not limited to, flaws in the code, Forks, double spend and 51% attacks, as further described above in section 4.3 (*Bitcoin Market Overview*).

The occurrence of any of these technical scenarios could result in significant price instability, loss of confidence or utilisation of the network, depressed liquidity, difficulty in accessing crypto assets or the inability to create or redeem shares of the product. Holders could suffer substantial losses as result of these events including a total loss.

5.20 FUND TRADING RISK

In certain circumstances, the Cboe market may suspend trading of the Coin Interests and therefore Holders will not be able to buy or sell Coin Interests on the Cboe market. In these circumstances, the Responsible Entity may suspend the creation and redemption process. There may be other occasions where the Responsible Entity may suspend the

creation and redemption process, such as around the end of a distribution period or where other actors prevent the accurate calculation of Coin Interest prices.

The Cboe market also imposes certain requirements for Coin Interests to continue to be quoted. The Responsible Entity will endeavour to meet these requirements at all times to ensure the Coin Interests remain quoted, although there can be no assurance that Coin Interests will remain quoted on the Cboe market. Under these circumstances, the Responsible Entity may take measures such as suspending the application and redemption process or potentially terminating the Fund. Although the Coin Interests are quoted on the Cboe market there can be no assurances that there will be a liquid market for Coin Interests.

There is a risk that the market maker or an Authorised Participant may not satisfy their obligations in relation to delivery of the Bitcoin. This may affect the ability of Holders to trade Coin Interests on the secondary market, and may lead to an increase in price of Coin Interests traded on the Cboe market.

5.21 BITCOIN TRADING RISK

Bitcoin is generally available for trading 24 hours a day, 7 days a week, however, Coin Interests are only able to be traded during the Cboe trading day. The price of Bitcoin could be adversely affected outside of Cboe trading hours and this could result in material losses for Holders. In such circumstances Holders would not be able to exit the Fund until trading resumed on Cboe.

5.22 COMPLIANCE WITH FATCA AND GENERAL REPORTING REQUIREMENT

The U.S. Hiring Incentives to Restore Employment Act resulted in the introduction of legislation in the U.S. known as the Foreign Account Tax Compliance Act ("FATCA"). Under FATCA, a 30 per cent withholding tax may be imposed on payments of U.S. source income and certain payments of proceeds from the sale of property that could give rise to U.S. source income, unless the Responsible Entity complies with requirements to report on an annual basis the identity of, and certain other information about, direct and indirect U.S. Holders issued by a Fund to the U.S. Internal Revenue Service ("IRS") or to the relevant Australian authority for onward transmission to the IRS. A Holder that fails to provide the required information to the Responsible Entity may be subject to the 30 per cent withholding tax with respect to any payments directly or indirectly attributable to U.S. sources and the Responsible Entity might be required to redeem any Coin Interests held by such Holder.

Although the Responsible Entity will attempt to satisfy any obligations imposed on it to avoid the imposition of this withholding tax, no assurances can be given that the Responsible Entity will be able to satisfy such obligations. If the Fund becomes subject to a withholding tax as a result of FATCA, the return on some or all Coin Interests issued by the Fund may be materially and adversely

affected. In certain circumstances, the Responsible Entity may compulsorily redeem some or all of the Coin Interests held by one or more Holders and/or may reduce the redemption proceeds payable to any Holder.

Additional reporting requirements apply to the Responsible Entity under the Australian Government's implementation of the Common Reporting Standard ("CRS"). CRS is a single global standard for the collection, reporting and exchange of financial account information on foreign tax residents. It is broadly based on the U.S. specific FATCA reporting requirement, and requires the Responsible Entity to collect certain information from Holders.

5.23 ENVIRONMENTAL RISK

The Responsible Entity does not take into consideration the environmental or social impact of the Bitcoin held by the Fund. The mining of Bitcoin requires substantial quantities of energy, which may be sourced from

non-renewable sources and may adversely impact the perception and reputation of Bitcoin. This, in turn, may negatively impact the price of Bitcoin and therefore the value of Coin Interests in the Fund.

5.24 IMMUTABILITY RISK

Blockchains such as the Bitcoin blockchain are immutable. This means that transactions on these networks cannot be modified once they are processed. As a consequence of this feature of the network, assets that are stolen or erroneously transferred can be irretrievable. To the extent that any underlying Bitcoin held by the Fund is stolen or erroneously transferred there is a risk it will be irretrievable and such circumstances may adversely impact the value of Coin Interests in the Fund. A high profile loss of Bitcoin by a third party may also impact the perception and reputation of Bitcoin. This, in turn, may negatively impact the price of Bitcoin and therefore the value of Coin Interests in the Fund.

6. Trading of Coin Interests

6.1 OVERVIEW

An application for Coin Interests (a “**Creation Request**”) may be made only by an Authorised Participant. A request to redeem Coin Interests (a “**Redemption Request**”) may be made by any Holder (including both Authorised Participants and investors who have purchased their Coin Interests in the secondary market on the Cboe market) using the Coin Delivery Method provided that they must have access to a digital Bitcoin wallet to which any Bitcoin related to that Redemption Request is to be transferred of which they can prove their ownership to the satisfaction of the Responsible Entity and have completed all know your client and other anti-money laundering checks as may be requested by the Responsible Entity. In extraordinary circumstances, redemptions may also be permitted using the Coin Sale Method as described in this section. Redemptions will be effected on the Settlement Date or such later date as requested by the Holder save that in the case of a Holder who is not an Authorised Participant they must also have provided all such information as request by the Responsible Entity as set out above.

Please refer to Section 10 (*Additional Information*) of this PDS for further information on the roles and responsibilities of Authorised Participants.

Holders may also purchase or sell Coin Interests on the Cboe market through their broker in a similar manner to purchasing shares and it is expected that most Holders who are not Authorised Participants will buy and sell their Coin Interests in this manner.

6.2 SUBMISSION OF CREATION REQUESTS AND REDEMPTION REQUESTS

Creation Requests and Redemption Requests in respect of the Coin Interests must be made by 4.00 p.m. on any Cboe Business Day for processing that day. Requests submitted after that time or otherwise than on a Cboe Business Day will be processed on the following Cboe Business Day.

The System

The Administrator has implemented a system (the “**System**”) for enabling Authorised Participants to make Creation Requests and Redemption Requests by means of a secure website and has agreed terms and provisions with the Authorised Participants to enable use of such System in substitution for the lodging of forms.

It is expected that all Creations and Redemptions by Authorised Participants will be requested using the System.

In the event of a failure in the System or for Redemption by Holders other than Authorised Participants, Creations and Redemptions may be requested using the forms and notices described below.

Forms

When the System is not in use, as notified to Authorised Participants by the Administrator, or for Redemptions

by other Holders, Creation Requests and Redemption Requests must be submitted through the use of paper forms in such form as provided by the Responsible Entity or the Administrator. Completed forms should be submitted by email (details below) to the Responsible Entity at the mailing address below.

Email addresses:

primarymarkets@etfsecurities.com.au
ops@21shares.com

Mailing address:

Level 7, 50 King Street, Sydney NSW 2000 Australia

All messages sent via email must contain a duly signed document as an attachment.

Notwithstanding the method of communication, the Responsible Entity and/or the Administrator reserve the right to ask for the production of original documents or other information to authenticate the communication. In the case of mis-receipt or corruption of any message, the Authorised Participant or Holder will be required to re-send the documents.

Each Authorised Participant will also be required to acknowledge in any Creation Request, and all Holders in any Redemption Request, that the Responsible Entity and/or the Administrator and/or the Registrar may disclose to each other, to any other service provider for the Fund or to any regulatory body in any applicable jurisdiction any information concerning the Authorised Participant or Holder in their respective possession, whether provided by the Authorised Participant or Holder to the Responsible Entity and/or the Administrator and/or the Registrar or otherwise, including details of that Authorised Participant or Holder’s holdings in the Fund, historical and pending transactions in the Coin Interests and the values thereof, and any such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed on any such person by law or otherwise.

A binding commitment to apply or redeem for Coin Interests is irrevocable without the consent of the Responsible Entity. The Responsible Entity may reject a Creation Request for Coin Interests in whole or in part without giving any reason for the rejection.

6.3 CREATION REQUESTS

Only Authorised Participants may apply for the creation of Coin Interests. A Creation Request received by 4.00 p.m. on any Cboe Business Day (day T) will generally enable the Authorised Participant to receive the new Coin Interests in their CHESS account on the relevant Settlement Date, provided that the Authorised Participant has deposited Bitcoin at least equal to the aggregate Coin Entitlement of the Coin Interests to be Created pursuant to the Creation Request into the Secured Accounts by 4 p.m. of the preceding Delivery Day. If there is a divergence between the Net Asset Value per Coin Interest and the Coin Entitlement (for example, during a Fork) the Responsible Entity in its absolute discretion may determine that creations will be suspended.

New Coin Interests will only be issued after the required amount of Bitcoin is deposited by the Authorised Participant into the Secured Accounts.

Once the appropriate quantity of Bitcoin has been received into the Secured Accounts, the corresponding Coin Interests will be issued to the relevant Authorised Participant through CHES on a free of payment basis.

Any Creation Requests received after 4.00 p.m. will be held over until the next Cboe Business Day, unless accepted for dealing on the relevant Cboe Business Day at the discretion of the Responsible Entity or its delegates, provided they are received prior to the Valuation Time.

A Creation Fee will be charged to Authorised Participants in respect of all Creation Requests received for the Fund on a particular Cboe Business Day (which may be waived in whole or in part at the Responsible Entity's or their delegate's discretion). Additionally, Authorised Participants will incur transaction costs on the Bitcoin network when making any transfer of Bitcoin to the Secured Accounts. Authorised Participants must ensure the net amount of Bitcoin deposited into the Secured Accounts is equal to the aggregate Coin Entitlement of the Coin Interests to be Created.

Creation Requests must be made before 4:00 p.m. on the Cboe Business Day in accordance with the specific procedures made available by the Responsible Entity. All Creation Requests will be binding and irrevocable.

The Responsible Entity may reject any Creation Request in its discretion.

Bitcoin delivered in connection with in specie Creation Requests shall be valued in accordance with the provisions of this PDS and the Trust Deed of the Fund.

Upon receipt of a valid Creation Request, the Responsible Entity will do everything necessary to deal with the Coin Interests in accordance with the Creation Request. A Creation Request is valid only if:

- (a) it contains all the information required by the Responsible Entity;
- (b) it specifies a whole number of Coin Interests to be created; and
- (c) it is lodged with the Responsible Entity by 4.00 p.m. on a Cboe Business Day.

Failure to deliver Bitcoin

In the event that an Authorised Participant fails to deliver to the Responsible Entity the amount of Bitcoin required in relation to a Creation Request, the Responsible Entity or its delegate may reject the Creation Request, or may require the Authorised Participant to pay a fee at least equal to the closing value of such undelivered Bitcoin on the Cboe Business Day for the relevant Cboe Business Day. The Responsible Entity will have the right to sell or redeem all or part of the Authorised Participant's holding of Coin Interests in the Fund in order to meet some or all of these charges.

6.4 REDEMPTION REQUESTS

Holders (including both Authorised Participants and investors who have purchased their Coin Interests in the secondary market on the Cboe market) can redeem their investment using the Coin Delivery Method (which is further described below) or Coin Sale Method. Holders are generally not permitted to redeem via the Coin Sale Method other than in extraordinary circumstances, for example, where trading in the Coin Interests is suspended for five consecutive Cboe Business Days (and subject to any suspension of redemptions by the Responsible Entity). If there is a divergence between the Net Asset Value per Coin Interest and the Coin Entitlement (for example, during a Fork) the Responsible Entity in its absolute discretion may determine that redemptions will be suspended. In such a case cash redemptions may also become available (see below sections regarding "Cash Redemptions" and "Holder Redemptions In Extraordinary Circumstances" for more information).

Provided the Fund is liquid, Coin Interests may generally be redeemed on every Cboe Business Day (save during any period when redemptions are suspended).

Coin Interests redeemed using the Coin Delivery Method will be redeemed for an amount of Bitcoin equal to the Coin Entitlement at the Valuation Time on the relevant Cboe Business Day (less the Redemption Fee).

In the event of any redemptions via the Coin Sale Method, you irrevocably authorise and direct the Responsible Entity to sell the underlying Bitcoin on your behalf on a best efforts basis as at the Dealing Day on which the Redemption Request is deemed received and accepted. The redemption price of a Coin Interest in this case will be equal to the net cash proceeds received by the Responsible Entity upon disposal of the amount of Bitcoin equal to the Coin Entitlement (less the Redemption Fee and any reasonable costs incurred by the Responsible Entity in arranging the sale of the underlying Bitcoin). The terms applicable to the Coin Sale Method are set out further down in this section.

Redemption Requests must normally be received by 4:00 p.m. on the relevant Cboe Business Day. Any Redemption Requests received after that time will normally be held over until the next Cboe Business Day but may be accepted for dealing on the relevant Cboe Business Day, at the discretion of the Responsible Entity or its delegates, provided they are received prior to the Valuation Time.

Redemption payments will not be made to third parties and no redemption proceeds shall be paid until all anti-money laundering procedures have been completed.

The minimum number of Coin Interests for Redemption Requests is one Coin Interest. However, Holders should be mindful that the Redemption Fee will generally be charged to all Coin Interest redemptions.

Redemption Requests must be in integer multiples, which requirement may be waived or altered in any case by the Responsible Entity in its discretion.

6. Trading of Coin Interests

Where the total Redemption Requests for the Fund represents 10% or more of the Net Asset Value of the Fund, the Responsible Entity may delay each Redemption Request rateably so that the total number of Coin Interests of the Fund for redemption on that Cboe Business Day shall not exceed 10% of the Net Asset Value of the Fund. In which case the portion of unfulfilled redemptions will be carried over to the next Cboe Business Day (for the avoidance of doubt, the 10% limit described above will still apply to all redemptions on that following Cboe Business Day and redemptions will continue to be carried over as required, subject to the 10% limit, until all redemption requests have been fulfilled).

A Redemption Fee will be charged to a Holder in respect of all Redemption Requests received for the Fund on a particular Cboe Business Day from that Holder (which, subject to law, may be waived in whole or in part at the Responsible Entity's or their delegate's discretion). The Redemption Fee applicable to the Fund is \$500.

Redemption Requests must be made before 4:00 p.m. on the relevant Cboe Business Day in accordance with the specific procedures made available by the Responsible Entity. All Redemption Requests will be binding and irrevocable.

The Responsible Entity must accept the Redemption Request prior to any delivery instructions being issued to the Custodian in relation to any Bitcoin (whether for cash sale or transfer of Bitcoin to the Holder).

Coin Interests the subject of a Redemption Request cannot be transferred. Upon receipt and acceptance of a valid Redemption Request, the Responsible Entity will do everything necessary to deal with the Bitcoin in accordance with the Redemption Request. A Redemption Request is valid only if:

- (a) it contains all the information required; and
- (b) the Holder has nominated one delivery method for each Coin Interest (which must be the Coin Delivery Method unless otherwise permitted by the Responsible Entity); and
- (c) it is given by the person who, in the knowledge or reasonable opinion of the Responsible Entity, was registered as the Holder of corresponding Coin Interest at 4:00 p.m. on the Cboe Business Day the Redemption Request is received; and
- (d) the Holder has agreed that the Responsible Entity may disclose information provided by the Holder within the Redemption Request to any third party specified on the Redemption Request as being a party that shall be responsible for effective delivery or storage of the Bitcoin; and
- (e) the Holder lodges it with the Responsible Entity by 4:00 p.m. on a Cboe Business Day.

The Responsible Entity may in its absolute discretion determine whether a Redemption Request is valid and will promptly notify the Holder if a Redemption Request is invalid. In such cases the Holder must lodge a new and valid Redemption Request in respect of those Coin Interests.

Redemption Requests lodged with the Registrar by 4.00 p.m. on a Cboe Business Day with the Coin Interests deposited by 10:30 a.m. on the Settlement Date will generally enable a Holder to receive their Bitcoin on the Settlement Date provided that the Holder has supplied all necessary know your client and anti-money laundering documentation as the Responsible Entity may require which in the case of the Coin Delivery Method may include a requirement to show ownership of the wallet address to which the relevant Bitcoin shall be delivered. Redemption Requests lodged after 4.00 p.m. on a Cboe Business Day will be treated as having been lodged on the next Cboe Business Day. Subject to the Corporations Act and the Cboe Operating Rules, a Redemption Request for Coin Interests may not be revoked without the consent of the Responsible Entity.

The Coin Delivery Method will automatically apply to all Redemption Requests by Authorised Participants unless otherwise agreed by the Responsible Entity and the relevant Authorised Participant. If the Coin Delivery Method is elected by a Holder but, through no fault of the Responsible Entity, the Bitcoin is not successfully delivered to the Holder and is not claimed by the Holder within one calendar month of attempted delivery being made, then the Holder will be deemed to have elected that the Coin Sale Method shall apply. For the avoidance of doubt, if a successful delivery is made but is made to an incorrect wallet address which was supplied by the Holder, the delivery will be deemed to be a successful delivery for the purposes of the Trust Deed and this PDS and the Responsible Entity will not have any liability to the Holder in respect of any associated loss to the Holder.

On a compulsory redemption, the redemption will be via the Coin Sale Method unless the Holder elects the Coin Delivery Method at least five Business Days prior to the relevant Compulsory Redemption Date.

Suspension of Redemptions

The Trust Deed for the Fund allows the Responsible Entity, subject to the Corporations Act, to suspend the redemption or creation of Coin Interests for up to 28 days in certain circumstances, including, if:

- (a) it is impracticable for the Responsible Entity to calculate the Net Asset Value (which may include during a Fork);
- (b) the redemption would cause the Responsible Entity to breach a law, regulation or obligation;
- (c) quotation of Coin Interests is suspended, halted or revoked or the Responsible Entity's approval as a Cboe product issuer is suspended or revoked;
- (d) the investments of the Fund suspend, delay or restrict the redemption, issue or payment of redemption proceeds or are unable to provide a withdrawal price;
- (e) assets of the Fund cannot be realised at prices which would be obtained if they were realised in an orderly fashion over a reasonable period in a stable market;
- (f) the Responsible Entity reasonably estimates that it must sell 10% or more (by value) of the assets of the Fund to meet unmet Redemption Requests;

- (g) Holders who continue to hold Coin Interests may bear a disproportionate burden of capital gains tax or other expenses or would otherwise be at a disadvantage;
- (h) as allowed by ASIC relief or the Responsible Entity considers that it is in the best interests of the Holders; or
- (i) it is otherwise legally permitted.

Coin Delivery Method

If the Holder requests the Coin Delivery Method, they must nominate a Bitcoin wallet to which the Responsible Entity will arrange for delivery of the Bitcoin.

Redemptions using the Coin Delivery Method shall be made by withdrawing Bitcoin from the Secure Accounts in an amount equal to the aggregate Coin Entitlement of the Coin Interests being redeemed, calculated as at the Cboe Business Day on which the Redemption Request is deemed received (rounded up to the nearest eight decimal places), and delivering the same to the Bitcoin wallet nominated by the redeeming Holder, less any Redemption Fee.

To the extent required, Bitcoin will be transferred to the Holder's account on the Settlement Date and such transfer shall settle the Delivery Obligations in respect of such Coin Interests, provided that the corresponding Coin Interests have been delivered to the Fund through CHES, the requesting Holder has nominated a Bitcoin wallet of which they can prove their ownership to the satisfaction of the Responsible Entity and the requesting Holder has completed all know your client and other anti-money laundering checks as may be requested by the Responsible Entity. The Holder may be charged the Redemption Fee.

Once transferred to the nominated Bitcoin wallet held by the redeeming Holder, all title to the Bitcoin and all risks in and relating to the Bitcoin pass to the Holder. The Responsible Entity is not responsible or liable for any loss whatsoever that occurs to the Bitcoin after such transfer.

The Responsible Entity's Delivery Obligations will be satisfied by transferring Bitcoin to the Bitcoin wallet specified by the Holder.

Coin Sale Method

If the Coin Sale Method permitted by the Responsible Entity, Redemption Requests using the Coin Sale Method which are received by the Fund on any Cboe Business Day before 4.00 p.m. will be processed on that Cboe Business Day by reference to the next calculated Coin Entitlement.

To satisfy a redemption via the Coin Sale Method, the Responsible Entity will undertake to arrange the sale of the Bitcoin on the following terms:

- (a) the Responsible Entity is irrevocably authorised to instruct delivery of the Bitcoin for and on behalf of the Holder from the Fund;
- (b) the Holder irrevocably authorises the Responsible Entity to sell the Bitcoin on the spot market at the prevailing market price, and the Holder irrevocably

directs and authorises the Responsible Entity or any of its nominees to take all action necessary or desirable to effect the sale by the Responsible Entity of the Bitcoin;

- (c) the Responsible Entity will pay the Sale Proceeds as soon as reasonably practicable to the Holder as instructed by the Holder in the Redemption Request; and
- (d) the Holder acknowledges and agrees that:
 - (i) the Responsible Entity agrees to sell the Bitcoin on behalf of the Holder, as agent for the Holder, on a best efforts basis at the prevailing market price on an exchange determined by the Responsible Entity in its absolute discretion;
 - (ii) the Holder agrees to accept the price obtained by the Responsible Entity in accordance with this PDS and the Trust Deed and to sell its Bitcoin at this price;
 - (iii) the Responsible Entity makes no representations or warranties as to the price at which the Responsible Entity will be able to sell the Bitcoin or the amount of the Sale Proceeds;
 - (iv) to the maximum extent permitted by law, the Responsible Entity is not responsible or liable for any loss, costs or expense incurred by the Holder as a result of the Responsible Entity selling the Holder's Bitcoin on behalf of the Holder, except to the extent that such loss, cost or expense arises as a result of the Responsible Entity's negligence, default, fraud or dishonesty; and
 - (v) when the Responsible Entity pays the Sale Proceeds to the Holder, the Responsible Entity will have discharged all of its obligations to the Holder and the Holder will cease to have any rights or interest in the Coin Interest, the Responsible Entity or the Fund (other than those rights that survive termination of membership of the Fund if any).

The Bitcoin will typically be sold in US Dollars or Australian Dollars on the Cboe Business Day on which the Redemption Request is accepted or as soon as possible once applicable AML/KYC obligations have been satisfied. Once the proceeds are received, they will be paid in Australian Dollars (or in US Dollars if requested by a Holder, subject to the Responsible Entity's discretion and provided the Holder has a US dollar bank account), less any Redemption Fee and less any other reasonable costs incurred by the Responsible Entity in arranging the sale of the underlying Bitcoin, on the Settlement Date, that is, generally on a T+2 basis.

Any Redemption Requests received after 4.00 p.m. on the relevant Cboe Business Day will normally be held over until the next Cboe Business Day but may be accepted for dealing on the relevant Cboe Business Day (at the discretion of the Responsible Entity) provided that such Redemption Requests are received prior to the Valuation Time for such Cboe Business Day.

6. Trading of Coin Interests

Holders must pay the Redemption Fee for any redemption via the Coin Sale Method.

Failure To Deliver Coin Interests

In the event that a Holder fails to deliver to the Responsible Entity the Coin Interests the subject of a Redemption Request, such Coin Interests will not be redeemed and the Redemption Request will be deemed rejected by the Responsible Entity. In addition, the Responsible Entity may require Authorised Participants to pay a fee at least equal to the costs or losses incurred by it or the Fund in connection with the original Redemption Request.

Responsible Entity Not Liable

The Responsible Entity shall not be responsible or liable for any failure by the Custodian to effect a delivery or payment of Bitcoin in accordance with the instructions of the Responsible Entity. However, in the event of such failure, the Responsible Entity shall to the extent practicable assign to the redeeming Holder its claims in relation to such Bitcoin in satisfaction of all claims of such Holder in respect of the Coin Interests to be redeemed and the Holder shall have no further claims against the Fund or the Responsible Entity.

Bitcoin transactions are generally irreversible. Under no circumstances will the Responsible Entity be liable for any losses incurred by a Holder as a result of the Holder providing an incorrect wallet address for the purposes of the Coin Delivery Method.

Settlement of Redemptions

On the Settlement Date the following will occur upon receipt into the Fund's CHES account of the Coin Interests to be redeemed:

- (a) in the case of the Coin Sale Method, the Responsible Entity will, subject to the other provisions in the Trust Deed and this PDS, transfer the Sale Proceeds to the Holder in US Dollars or in Australian Dollars (as elected by the Holder), less any Redemption Fee and less any other reasonable costs incurred by the Responsible Entity in arranging the sale of the underlying Bitcoin; or
- (b) in the case of the Coin Delivery Method, the Responsible Entity will, subject to the other provisions in the Trust Deed and this PDS, instruct the Custodian to transfer the relevant amount of Bitcoin to the Holder free and clear of any security interest or third party interest; and
- (c) the Separate Trust applicable to each Coin Interest being redeemed will be dissolved.

Deductions from payments

All monetary obligations imposed on a Holder under the Trust Deed are:

- (a) absolute;
- (b) free of any right to counterclaim or set off; and
- (c) may only be satisfied once the payment has cleared.

The Responsible Entity may deduct from any amount to be paid to a Holder or received from a Holder:

- (a) any amount of tax (or an estimate of it); or
- (b) any other amount which the Responsible Entity is required or authorised to deduct or which the Responsible Entity considers should be deducted or owed by the Holder to the Responsible Entity or any other person.

6.5 THE SECONDARY MARKET FOR COIN INTERESTS

The Coin Interests are intended to be quoted on the Cboe market. Holders are generally expected to buy and sell their Coin Interests through trading on the Cboe market. Cboe takes no responsibility for the contents of this PDS.

The Coin Interests are expected to be available for continuous trading throughout the day on the Cboe market and will be settled via CHES.

Cboe market quotation of the Coin Interests will be pursuant to the Cboe Operating Rules. The Fund and its Coin Interests will not be considered as being listed on the Cboe market for the purposes of the Corporations Act. The Cboe Operating Rules are not the same as the ASX Listing Rules. Accordingly, a great deal of the disclosure, corporate governance and corporate control rules in the ASX Listing Rules for the shares of listed companies do not apply to the Coin Interests.

More information about the Cboe Operating Rules is available from the Cboe market's website: www.cboe.com.au. A summary of the main differences between quotation on the Cboe market and listing on the ASX is also set out at the front of this PDS.

Investors may be charged a brokerage or commission by their broker when buying and selling Coin Interests on the Cboe market. All investors should refer to their broker for further details on their fees and charges.

6.6 HOLDER REDEMPTIONS IN EXTRAORDINARY CIRCUMSTANCES

If Coin Interests are suspended from trading on the Cboe market for more than 5 consecutive Cboe Business Days, Holders have a right to withdraw from the Fund and receive payment for their interests in money within a reasonable time of request unless any of the following apply:

- (a) the Fund is being wound-up;
- (b) the Fund is not liquid as defined in subsection 601KA(4) of the Corporations Act; or
- (c) the Responsible Entity suspends withdrawals in accordance with the Trust Deed.

The Responsible Entity may, but has no obligation to, waive the Redemption Fee for all Holders in such circumstances.

6.7 HOLDING LOCKS

While the Coin Interests are quoted and subject to the Cboe Operating Rules, settlement of the Coin Interests is subject to the ASX Settlement Rules. Under these rules the Responsible Entity may request a Holding Lock be applied to any Coin Interests where:

- (a) the Responsible Entity has a lien on the Coin Interests the subject of the transfer;
- (b) the Responsible Entity is served with a court order that restricts a Holder's capacity to transfer the Coin Interests;
- (c) registration of the transfer may break an Australian law and the Cboe market has agreed in writing to the application of a Holding Lock (which must not breach the Settlement Rules) or that the Responsible Entity may refuse to register a transfer;
- (d) if the transfer is paper-based, either a law related to stamp duty prohibits the Responsible Entity from registering it or the Responsible Entity is otherwise allowed to refuse to register it under the Cboe Operating Rules;
- (e) the transfer does not comply with the terms of any employee incentive scheme of the Fund;
- (f) if the transfer is paper-based, registration of the transfer will create a new holding which at the time the transfer is lodged is less than a 'marketable parcel' as defined in the ASX Settlement Rules;
- (g) the Holder has lodged a Redemption Request, and for any reason whatsoever, the Coin Interest has not terminated;
- (h) the relevant Holder has agreed in writing to the application of a Holding Lock (which must not breach the Settlement Rules) or that the Responsible Entity may refuse to register a transfer; or
- (i) it is otherwise permitted under the Cboe Operating Rules, and the Responsible Entity must do so if the Cboe Operating Rules require, but must tell the Holder or the broker as the Corporations Act or the Cboe Operating Rules require.

6.8 PUBLICATION OF NAV

The Net Asset Value of the Fund will be published on each Business Day on the website of the Responsible Entity at www.etfsecurities.com.au.

6.9 CHES

The Fund participates in the Clearing House Electronic Sub register System ("CHES"). The Fund will not issue certificates for Coin Interests. The Registrar, on behalf of the Fund, will provide each Holder with an uncertificated securities holding statement which will set out the Coin Interests issued or transferred to the Holder. If applicable, the holding statement will inform each Holder of their

"Holder Identification Number" and the "Sponsoring Issuer Number" as used by CHES.

6.10 COMPULSORY REDEMPTION

In limited circumstances the Responsible Entity may compulsorily redeem Coin Interests. Depending on the specific circumstances, compulsory redemption requires either 60 days' or 3 Business Days' notice to Holders as described below.

The Responsible Entity may in its absolute discretion, upon a minimum of 60 days' notice to a Holder, redeem all or a portion of Coin Interests of a Fund held by such Holder in its absolute discretion if:

- (a) the Responsible Entity believes that the Coin Interests are held in breach of prohibitions contained in the Trust Deed;
- (b) the Responsible Entity determines that the Fund is uneconomical to operate;
- (c) a Holder made a misrepresentation in acquiring its Coin Interests;
- (d) the Coin Interests held by a Holder comprise less than a marketable parcel as provided in the ASX Settlement Rules;
- (e) a Holder is a registered holder of Coin Interests having an aggregate value of less than the "Minimum Holding" (as that term is defined in the Trust Deed), provided that it does so in accordance with the terms of the Trust Deed, the Corporations Act (including any ASIC Relief) and the Cboe Operating Rules (while the Fund is quoted);
- (f) the Custodian terminates the Custody Agreement and the Responsible Entity is unable to find a suitable replacement custodian for Bitcoin; or
- (g) subject to the Corporations Act and the Cboe Operating Rules, the Responsible Entity considers it to be in the best interests of members or in such other circumstances as the Responsible Entity determines in its absolute discretion.

The Responsible Entity may in its absolute discretion, upon a minimum of 3 Business Days' notice to a Holder, redeem all or a portion of Coin Interests of a Fund held by such Holder in its absolute discretion if:

- (a) the Responsible Entity believes that the Coin Interests are held in circumstances which might result in a violation of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect; or
- (b) the Responsible Entity determines that the continued participation of a Holder might cause the Responsible Entity or any Holder to violate any law or if any litigation is commenced or threatened against the Responsible Entity or any Holder arising out of the participation of the Holder in the Fund.

6. Trading of Coin Interests

Where practicable, prior to the Compulsory Redemption Date the Responsible Entity will request the Holder or Holders to provide a valid Redemption Request within such time as the Responsible Entity in its discretion may specify. If following notice from the Responsible Entity to a Holder or Holders, the Holder or Holders fails to provide any information requested by the Responsible Entity by 5.00 p.m. two Business Days prior to the Compulsory Redemption Date, or if the Responsible Entity determines it is not practicable to provide the Holder with notice, then either the Coin Sale Method or the Coin Delivery Method will apply in accordance with the instructions provided by the Holder.

By purchasing the Coin Interests the Holder is deemed to have instructed the Responsible Entity to apply the Coin Sale Method for the purposes of compulsory redemption,

unless the Holder otherwise instructs the Responsible Entity as described below.

A Holder may change the above instructions and request the Coin Delivery Method instead for the purposes of compulsory redemption by providing written notice at least five Cboe Business Days prior to the relevant Compulsory Redemption Date, and paying the Compulsory Redemption Election Fee, providing that they have the appropriate Bitcoin wallet.

The Responsible Entity will waive the Redemption Fee for all Holders in the event of a compulsory redemption.

6.11 PAYMENT METHOD

Any cash payments to be made to Holders will be paid in cash in any manner the Responsible Entity determines such as by electronic means.

7. Valuation and Coin Interest Pricing

7.1 NET ASSET VALUE

The Net Asset Value of the Fund is calculated by totalling the values of each of the assets of the Fund and deducting from such total all Liabilities attributable to the Fund.

The Net Asset Value per Coin Interest will be the AUD value of the Coin Entitlement held in the Separate Trust less any accrued fees or expenses attributable to the Separate Trust (and subject to the effect of any Forked Assets). The Management Fee is deducted each day from the Coin Entitlement.

Each input will be calculated as at the Valuation Time for the Fund. The Net Asset Value of the Fund will be an amount determined in AUD and will be published on the Responsible Entity's website at www.etfsecurities.com.au. The Net Asset Value will be calculated at the Valuation Time on each Cboe Business Day.

7.2 INDICATIVE NET ASSET VALUE PER COIN INTEREST

As at the date of this PDS, the Responsible Entity intends to make available, or designate other persons to make available on its behalf, an estimated indicative Net Asset Value per Coin Interest ("iNAV") for the Fund. It will do so by providing such information on the Responsible Entity's website (www.etfsecurities.com.au) on any Cboe Business Day. The iNAV will be calculated based upon information available to the Responsible Entity or its designate during the Cboe Business Day or any portion of the Cboe Business Day from time to time, and for informational purposes only.

Any iNAV is not, and should not be taken to be or relied on as being, the value of a Coin Interest or the price at which Coin Interests may be applied for or redeemed, or bought or sold on the Cboe market, and may not reflect the true value of a Coin Interest. Investors interested in applying for or redeeming Coin Interests, or buying or selling Coin Interests on the Cboe market, should not rely on any iNAV which is made available in making investment decisions but should consider other market information and relevant economic factors. Neither the Responsible Entity nor any designate or other service provider to the Responsible Entity shall be liable to any person who relies on the iNAV. No assurance can be given that any iNAV will be published continuously, will be up to date or free from error.

7.3 CALCULATION OF THE COIN ENTITLEMENT

The Coin Entitlement is the amount of Bitcoin represented by each Coin Interest. The Coin Entitlement on the first day of issue of the any Coin Interests by the Fund will be 0.0001 Bitcoins. On each day thereafter, the Coin Entitlement (represented by $CE_{i,t}$ in the formula below, will reduce by the Management Fee (represented in the formula by $MF_{i,t}$) and any other expenses accrued to the Fund. This takes into account the fees paid to the Responsible Entity in return for the services it provides to Fund.

On each day the Management Fee is deducted from the previous day's Coin Entitlement ($CE_{i,t-1}$) to determine the new Coin Entitlement on a particular day in accordance with the following formula:

$$CE_{i,t} = CE_{i,t-1} \times (1 - MF_{i,t}/N)$$

The Management Fee is then divided by the number of days in the year in which the figure is being calculated to create a daily fee rate. This is represented by the division by N in the formula.

Worked Example of Calculation of the Coin Entitlement

Assuming that the Coin Entitlement for the Coin Interests on the last day on which it was calculated was 0.0001 and there were 365 days in the year, applying the figures set out above to the formula for the calculation of Coin Entitlement of a Coin Interest could be calculated as follows:

$$CE_{i,t} = CE_{i,t-1} \times (1 - MF_{i,t}/N)$$

Where:

$$CE_{i,t-1} = 0.0001$$

$$MF_{i,t} = 0.0125$$

$$N = 365 \text{ days in the year}$$

So:

$$CE_{i,t} = 0.0001 \times (1 - 0.0125/365)$$

$$CE_{i,t} = 0.000099996575$$

The value of the Coin Entitlement, after conversion into Australian dollars, will generally be equal to the Net Asset Value per Coin Interest. The Coin Entitlement will be reduced by any expenses paid from the Fund (generally only expected to be the Management Fee and any extraordinary expenses as described in Section 8 (*Fees and Other Costs*)). On the issue date for the first Coin Interest(s) the Coin Entitlement will be 0.0001 Bitcoin.

Any Claimable Forked Assets may temporarily increase the Fund's Net Asset Value (until such assets are sold and the proceeds distributed to Holders) however this will not cause an increase or decrease to the Coin Entitlement. The Responsible Entity may suspend applications and redemptions until it has sold and distributed the proceeds in respect of any Claimable Forked Assets (which may also result in a suspension of trading on Cboe).

7.4 LIABILITIES OF THE FUND

The only expected liability of the Fund is the total Management Fees and any fees and other costs incurred by the Fund as described in Section 8 (*Fees and Other Costs*). As at the date of this PDS, ordinary expenses are not expected to be charged to the Fund.

7.5 VALUATION METHODOLOGY

The value of the Assets, used to calculate the NAV, is determined by measuring the aggregate value of any Bitcoin which is deliverable or delivered to the Fund and it will be valued at the Crypto Coin Comparison Aggregate Index

7. Valuation and Coin Interest Pricing

as at the Valuation Time. The index level used to calculate the NAV will be published daily by the Responsible Entity on its website at www.etfsecurities.com.au

For the purposes of calculating the aggregate value of the Assets, the Responsible Entity:

- (a) may adopt the value of the Asset in the books of any relevant interposed entity (or entities) which ultimately holds the underlying Asset, or any other valuation method determined by the Responsible Entity, so long as that value or other valuation method is in accordance with the Fund's valuation methodologies;
- (b) may value an Asset based on the financial statements and on the proportion to the Fund's economic interest in the underlying Asset, disregarding any borrowings, liabilities or provisions of any interposed entity; and
- (c) must make the necessary adjustment to eliminate any double accounting.

For the purposes of calculating the Net Asset Value of the Coin Interests, the value of the Bitcoin will be converted into AUD at the then prevailing exchange rate as determined by the Responsible Entity.

The valuation methods applied by the Responsible Entity to value the Fund's Assets and liabilities are consistent with applicable industry standards and result in Net Asset Value per Coin Interest calculations that are independently verifiable. The Responsible Entity's Coin Interest Pricing Policy contains further information about how it calculates the NAV per Coin Interest. This policy complies with ASIC requirements, and the Responsible Entity will observe this policy in relation to the calculation of the NAV per Coin Interest and will record any exercise of discretion outside the scope of this policy. Investors can request a copy of the policy free of charge by contacting the Responsible Entity. Details of the daily Net Asset Value per Coin Interest will be published by the Responsible Entity on its website at www.etfsecurities.com.au.

8. Fees and Other Costs

8.1 CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower fees. Ask the Fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Assets as a whole. Information in relation to taxes is set out in another part of this document.

You should read all the information about fees and charges because it is important to understand their impact on your investment. Unless otherwise stated, all amounts specified in this PDS include GST.

8.2 FEES AND COSTS SUMMARY

ETFs 21SHARES BITCOIN ETF (EBTC)		
TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
Ongoing annual fees and costs		
Management fees and costs: The fees and costs for managing your investment.	1.25% per annum of the Net Asset Value of the Fund.	The Management Fee will accrue daily (and be retained until the end of each month) and reduce the Coin Entitlement (and therefore the NAV per Coin Interest) at the end of each day. The Management Fee is paid to the Responsible Entity in Bitcoin. For a worked dollar example, refer to Section 8.3 (<i>Example of Annual Fees and Costs for the Fund</i>).
Performance fees: Amounts deducted from your investment in relation to the performance of the product.	Nil.	Not applicable.
Transaction costs: The costs incurred by the scheme when buying or selling assets	Nil.	Not applicable. Any costs incurred in the transfer of Fund assets are paid by the Responsible Entity and are not a cost to the Fund, excluding any reasonable costs incurred in satisfying Coin Sale Method redemptions which are borne by the redeeming Holder.

8. Fees and Other Costs

Member activity related fees and costs (fees for services or when your money moves in or out of the product)		
Establishment fee: The fee to open your investment.	Nil.	Not applicable.
Contribution fee: The fee on each amount contributed to your investment.	Creation Fee: Authorised Participants: \$500 Other Holders: \$0	A flat fee payable only by Authorised Participants to the Responsible Entity upon each Creation Request. The Creation Fee is not charged to Holders who acquire Coin Interests on the Cboe market.
Buy-sell spread: An amount deducted from your investment representing costs incurred in transactions by the scheme.	0.5% sell spread for redemptions via the Coin Sale Method. Otherwise, nil.	A sell spread may be applicable to any redemptions via the Coin Sale Method. The sell-spread will be deducted from any Sale Proceeds payable to a Holder.
Withdrawal fee: The fee on each amount you take out of your investment.	Redemption Fee: All Holders: \$500	A flat fee payable by Holders to the Responsible Entity upon each Redemption Request. The Redemption Fee is not charged to Holders who sell Coin Interests on the Cboe market. The Redemption Fee will be waived for all Holders in respect of a compulsory redemption.
	Compulsory Redemption Election Fee: \$500 representing the fees and costs charged by the Fund for Holders to change their election as to whether the Coin Delivery Method or Coin Sale Method will apply following compulsory redemption.	The Compulsory Redemption Election Fee will be payable by any Holder upon any change to their redemption preference following a compulsory redemption.
Exit fee: The fee to close your investment.	Nil.	Not applicable.
Switching fee: The fee for changing investment options	Nil.	Not applicable.

Please see Section 8.4 (*Additional Explanation of Fees and Costs*) for more information.

Any of the fees set out above may in some cases and if permitted by applicable laws and regulations be negotiated with wholesale investors.

8.3 EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

The following table gives an example of how fees and costs for the Fund can affect your investment in Coin Interests over a one-year period. You should use this table to compare this product with other managed investment products.

EXAMPLE – ETFS 21SHARES BITCOIN ETF	AMOUNT	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution fees	\$0 if you are not an Authorised Participant \$500 if you are an Authorised Participant	For every additional \$5 000 you put in, you will be charged: > \$0 if you are not an Authorised Participant; or > \$500 if you are an Authorised Participant
PLUS Management fees and costs	1.25% of the Net Asset Value of the Fund.	And, for every \$50 000 you have in the Fund, you will be charged or have deducted from your investment \$625 each year.
PLUS Performance fees	Nil.	And, you will be charged or have deducted from your investment \$0 in performance fees each year.
PLUS Transaction costs	Nil.	And, you will be charged or have deducted from your investment \$0 in transaction costs.
EQUALS Cost of Fund		If you had an investment of \$50 000 at the beginning of the year and you put in an additional \$5 000 during that year, you would be charged fees of: > \$625 if you are not an Authorised Participant; and > \$1,125 if you are an Authorised Participant. What it costs you will depend on whether you are an Authorised Participant and the fees you negotiate.

Please note that these are examples only. In practice, the actual investment balance of a Holder will vary daily and the actual fees and expenses we charge are based on the value of the Coin Interests, which fluctuates daily. No contribution fees are charged by the Fund for acquisitions of Coin Interests on the Cboe market.

8.4 ADDITIONAL EXPLANATION OF FEES AND COSTS

Creation and Redemption Fees

A fee of \$500 will be charged to Authorised Participants in respect of all Creation Requests and a fee of \$500 will be charged to all Holders in respect of all Redemption Requests (subject to the discretion of the Responsible Entity to waive such fees in whole or in part where permitted to do so).

Creation Fees and Redemption Fees are paid to the Responsible Entity separately to the subscription amount or redemption amount. Subject to law, the Responsible Entity may waive or vary the Creation and Redemption Fees at any time provided that any increase in these fees shall only be done following 30 days' notice given to Holders on the Cboe announcements platform.

The Creation and Redemption Fees are not deducted from or added to the assets of the Fund and do not therefore affect the Net Asset Value of the Fund.

Management Costs

The management costs for the Fund include all relevant ongoing fees and other costs involved in managing the Fund. The management costs are made up of the Management Fee, recoverable expenses (if any) and indirect costs (if any).

Management Fee

The Management Fee is charged by the Responsible Entity for overseeing the Fund's operations, providing access to the Fund, and managing the investment strategy. The Management Fee accrues daily in the Net Asset Value of the Fund and is payable to the Responsible Entity in arrears after the end of the relevant month. Under the Trust Deed, by becoming a Holder you irrevocably authorise and direct the Responsible Entity to dispose of Assets held in the Separate Trust to the extent required for the Responsible Entity to recover the Management Fee.

8. Fees and Other Costs

Recoverable expenses

The recoverable expenses represent the operating expenses incurred in the operation of the Fund, which may be recovered by the Responsible Entity.

The Responsible Entity shall pay from its Management Fee the customary administrative expenses of the Fund, including levies, duties and fees of other service providers. As such, in the normal course no recoverable expenses will be charged to the Fund (but excluding extraordinary expenses, see below).

The Responsible Entity shall also be entitled to recover from the assets of the Fund:

- > any costs, fees and expenses incurred in respect of any extraordinary matters relating to the Fund including without limitation any investigations, disputes, legal or arbitration proceedings, claims (other than the usual claims of undisputed subscription or redemption payments), any Holders' meetings convened in taking action to comply with additional regulatory requirements; and
- > any costs, fees and expenses incurred in restricting or terminating the Fund.

Indirect Costs

Indirect costs are any amounts that we know or where required, reasonably estimate, will reduce the Fund's returns that are paid from the Fund's assets (other than the management fee, recoverable expenses, and transactional and operational costs) or that are paid from the assets of any interposed vehicle (such as an underlying fund) in which the Fund may invest.

The Responsible Entity, as at the date of this PDS, reasonably estimates that the indirect costs of the Fund are 0.00% p.a. of the Net Asset Value of the Fund.

Transaction costs

These are the transaction Costs which are incurred by the Fund in respect of a Creation or Redemption of Coin Interests in the Fund or other costs associated with the Fund's portfolio. These costs are an additional cost and are not included in the management costs. All transaction costs in respect of the Fund will be paid by the Responsible Entity and are not a cost to the Fund, excluding any reasonable costs incurred in satisfying a cash redemption which are borne by the redeeming Holder.

The transaction costs for the Fund are estimated to be 0.00% p.a. of the Net Asset Value of the Fund. As the Fund has been newly established, this figure reflects the transaction costs that the Responsible Entity, as at the date of this PDS, reasonably estimates will apply for the current financial year (adjusted to reflect a 12 month period).

Buy-Sell Spread for Creations and Redemptions

As at the date of this PDS, the Responsible Entity only charges a buy-sell spread for redemptions via the Coin

Sale Method. A sell-spread of 0.5% is expected to apply to all redemptions via the Coin Sale Method. The amount of the sell-spread is deducted from the redemption proceeds payable to the Holder and retained by the Responsible Entity. The sell-spread is intended to reimburse the Responsible Entity for costs incurred in arranging the sale of the underlying Bitcoin. Holders also pay the Creation Fee or Redemption Fee (as applicable) upon each Creation and Redemption. However the Responsible Entity will waive the Redemption Fee for all Holders in the event of a compulsory redemption.

Cboe Buy-Sell Spread

Where you buy or sell Coin Interests on the Cboe market, the buy-sell spread (being the difference between the buy-price and the sale-price) is retained by the market maker or other counterparty (not the Responsible Entity). The buy-sell spread may change at any time without notice. The buy-sell spread does not represent a separate fee charged to a Holder or potential Holder, and instead reduces the amount that a Holder receives from the sale of their Coin Interests to the market maker, or, in the case of a potential Holder, increases the price of the Coin Interests.

Compulsory Redemption Election Fee

A Compulsory Redemption Election Fee of \$500 will be payable by a Holder in the event a Holder changes their election as to whether the Coin Delivery Method or Coin Sale Method will apply following any compulsory redemption. The Compulsory Redemption Election Fee will be used to pay costs and expenses related to the Holder changing their election.

Failure to Deliver Costs

An Authorised Participant that fails to deliver to the Responsible Entity the amount of Bitcoin required in relation to a Creation Request may be required to pay a fee at least equal to the closing value of such undelivered Bitcoin on the relevant Cboe Business Day. The Responsible Entity will have the right to sell or redeem all or part of the Authorised Participant's holding of Coin Interests in the Fund in order to meet some or all of these charges.

Additionally, an Authorised Participant that fails to deliver to the Responsible Entity the Coin Interests the subject of a Redemption Request may be required to pay a fee at least equal to the costs or losses incurred by the Responsible Entity or the Fund in connection with the original Redemption Request.

Brokerage and commissions

Investors may buy and sell Coin Interests through financial intermediaries who may impose transaction, brokerage, administrative or other direct fees, which fees would not be imposed if Coin Interests were purchased directly from the Fund. Investors should contact their financial intermediaries for further details of these fees and charges.

Changes in fees and expenses

The fees and expenses associated with an investment in Coin Interests of the Fund may be changed at the discretion of the Responsible Entity. However, any increase in any fees will only be made following the expiry of 30 days' notice given to Holders by way of an announcement on the Cboe announcements platform.

As at the date of this PDS, the Responsible Entity has no intention of changing any of the fees described herein.

Government taxes and duties

Government taxes and duties may be applied as appropriate. In addition to the fees and costs described

in this Section 8, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and will apply to Holders' investments and withdrawals as appropriate. Please refer to Section 11 (*Taxation Considerations*) for more information.

Rebates

The Responsible Entity may, from time to time, agree to pay, on behalf of investors, their brokerage costs to their broker. An investor's broker will inform investors that the Responsible Entity is paying their brokerage, and the investor will not need to pay any brokerage for buying or selling Coin Interests via the Cboe market.

9. Distributions

9.1 DISTRIBUTIONS OF INCOME

Holders in the Fund at the end of a distribution period are entitled to any distributable income of the Fund referable to a Coin Interest held at the end of the distribution period.

The Responsible Entity may make distributions annually in respect of periods ending 30 June each year (or more frequently in the Responsible Entity's absolute discretion). The amount of each distribution will vary depending on the income generated by the assets of the Fund and there may be periods when the Fund does not pay a distribution. There is no guarantee that the Fund will receive any income and make any distribution to Holders.

Distributions are expected to be paid to Holders within 30 days of the end of the distribution period.

As at the date of this PDS the Responsible Entity does not intend to offer a distribution reinvestment plan for the Fund.

In the normal course, the Responsible Entity only expects distributions to occur if it disposes of any Claimable

Forked Assets. By becoming a Holder, you irrevocably authorise and direct the Responsible Entity to sell any Claimable Forked Assets on your behalf and distribute the proceeds to you in cash, such sales of Claimable Forked Assets being on the same terms as those applying to the Coin Sale Method.

To the extent the Responsible Entity makes a distribution (other than distributions in respect of Claimable Forked Assets), this may reduce the Coin Entitlement.

9.2 ANNUAL TAX STATEMENT

At the end of each financial year the Responsible Entity will issue a tax statement to each Holder of the Fund entitled to distributable income during a financial year. The tax statement will detail the amount and composition of the taxable income of the Fund to which the Holder is entitled. A tax statement will only be issued in respect of a particular year to the extent a distribution is paid in that year.

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10.1 SERVICE PROVIDERS TO THE FUND

(a) The Administrator

Jura Pentium AG is the Administrator of the Fund. The Administrator will perform certain administrative, accounting, and other services to the Fund, subject to the overall supervision of the Responsible Entity.

Jura Pentium AG is involved in business activities related to providing technology and administration services to crypto-asset exchange traded product issuers globally.

(b) The Registrar

Computershare Investor Services Pty Limited has been appointed as the Registrar of the Fund under the Registrar Agreement.

The services to be provided by the Registrar will include (i) verifying the identity of prospective investors in accordance with applicable anti-money laundering policies and procedures, (ii) maintaining the Fund's register of Holders, (iii) generally performing actions related to the issuance, transfer and redemption of the Coin Interests, (iv) furnishing annual financial statements, and tax statements, and (v) performing certain other administrative and clerical services in connection with the Fund as agreed between the Responsible Entity and the Registrar.

(c) The Custodians

Custodian for Bitcoin

Coinbase Custody Trust Company, LLC ("Coinbase") as the Custodian of the Coin Interest. Coinbase is a limited purpose trust company incorporated under the laws of the State of New York in the United States of America and is chartered, supervised and examined by the New York Department of Financial Services. The Custodian is a fiduciary under § 100 of the New York Banking Law and a qualified custodian licensed to custody clients' Crypto Assets in trust on clients' behalf and its registered office is at 200 Park Avenue South, Suite 1208, New York, NY 10003, USA. It received its charter on 22 October, 2018.

Coinbase Custody Trust Company, LLC is a subsidiary of Coinbase Global, Inc. Affiliates of Coinbase Custody Trust Company, LLC provide various services to Coinbase Custody Trust Company, LLC, including engineering, sales support, marketing, communications, information technology, security, business operations, tax, strategy, finance, accounting, human resources, customer support, compliance, and legal advice.

As at the date of the PDS, the Custodian has over U.S.\$270 billion in assets under custody.

Funds are never loaned out, invested or otherwise put at risk. In the case of Coinbase bankruptcy or liquidation, vault-held Bitcoins should be completely insulated and users should have clear title to their Bitcoins.

The Coinbase vault (the "Vault") has become the preferred storage solution of many of the largest institutions and

individuals in the world and it holds one of the largest stores of Bitcoins in existence.

The Vault caters to large and small holders of digital currencies, including Bitcoin, who need highly secure and diversified measures to protect their holdings. The Vault is based on three different continents: America, Europe, and Oceania. Additional locations may be included to further diversify any geographic risk.

A team with two decades of experience each in international financial and transactional security developed this proprietary storage solution. The Vault offers advanced encryption and key management, multi-signature Bitcoin addresses, military-grade physical security (such as Faraday cages and former military bases) and highly secure processes to keep Bitcoins offline and geographically dispersed across three continents. The key to this process is removing all access to Private Keys via the internet by physically isolating them. All Bitcoins held in connection with the Fund will be held in such storage, and publicly verifiable in view only mode via a standard Blockchain explorer software. Only Bitcoins briefly in transit from Authorised Participants to Vault or from Vault to Authorised Participants and other Holders will be exposed to the internet.

The Custodian and any of its affiliates may from time to time purchase or sell Coin Interests for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

The Custodian does not warrant the contents of this PDS, nor are they involved in the management, administration or net asset value calculation of the Coin Interests.

Custodian for interests in the Sub-Fund

The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (HSBC) has been appointed as the custodian of the Coin Interests in the Sub-Fund which are held by the Fund under the HSBC Custody Agreement. HSBC provides custodial services to the Responsible Entity, including the holding of the direct assets of the Fund. HSBC does not hold any Bitcoin or Forked Assets on behalf of the Fund or the Sub-Fund.

The Responsible Entity may appoint further custodians in the future, subject to publication of a replacement PDS containing all relevant information about any such new custodian.

HSBC and any of its affiliates may from time to time purchase or sell Coin Interests for their own account, as agent for their customers and for accounts over which they exercise investment discretion.

HSBC does not warrant the contents of this PDS, nor are they involved in the management, administration or net asset value calculation of the Coin Interests.

(d) The Authorised Participants

Only Authorised Participants can create Coin Interests directly with the Fund. A person can only be an Authorised Participant if it:

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- (a) has an agreement with the Responsible Entity in relation to making applications to acquire and withdraw interests in the Fund; and
- (b) it is, or has engaged to act on its behalf, a participant (within the meaning of section 761A of the Corporations Act) in relation to a financial market, to acquire and dispose of interests in the Fund.

The Authorised Participant Agreement sets out certain requirements which must be met by the Authorised Participant. These include participation in CHESSE, compliance with certain selling restrictions in respect of the Coin Interests, maintenance of all applicable registrations and qualifications required to meet its obligations under the Authorised Participant Agreement and compliance with the Corporations Act, Cboe Operating Rules, and other applicable laws.

If the relevant requirements cease to be met by any such entity, the Responsible Entity may take such steps as it believes necessary to seek to ensure that the interests of the Fund and Holders as a whole are protected (which may include rejecting any further Creation Requests from such entity). Investors should contact the Responsible Entity to ascertain the requirements for becoming an Authorised Participant.

The Responsible Entity intends to encourage a number of market participants to sign up as Authorised Participants from time to time.

The current Authorised Participants, who have been approved by the Responsible Entity, are listed on its website at www.etfsecurities.com.au. The terms in relation to each Authorised Participant may be amended from time to time and may include commitments for an Authorised Participant to:

- > make markets on varying terms;
- > maintain particular maximum spreads and minimum lot sizes;
- > maintain an AFS Licence (if applicable);
- > comply with Cboe Operating Rules, the law and applicable legislation and regulations; and
- > satisfy the Anti-Money Laundering and Counter-Terrorism Financing program which the Responsible Entity has in place from time to time.

(e) Market Maker

The role of a market maker is to facilitate an orderly and liquid market in the Coin Interests and to satisfy supply and demand for Coin Interests on the Cboe market. They do this by:

- > subject to certain conditions, providing liquidity to the market through acting as the buyer and seller of Coin Interests on the Cboe market during a significant part of the trading day; and
- > Creating and Redeeming Coin Interests directly with the Fund, which helps to ensure the number of Coin Interests on issue matches supply and demand.

The Responsible Entity intends to appoint market makers that:

- > have experience in making markets in exchange traded securities both in Australia and internationally;
- > have the necessary skill, expertise and financial capacity to perform market making functions; and
- > are Cboe market participants and have agreements in place with the Cboe market to provide certain market making services.

To qualify for admission as a Cboe market participant, a firm must meet admission requirements set out in the Cboe Operating Rules, which requires the firm to hold an Australian financial services licence that authorises it to carry on its business as a market participant unless it satisfies Cboe that an Australian financial services licence is not required, and to satisfy Cboe market of various matters, including organisational competence and business integrity.

Generally, arrangements with a market maker will specify certain permitted circumstances in which the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions, other events set out in the Cboe Operating Rules, the suspension or rejection by the Responsible Entity of applications for Coin Interests or redemption requests, or the market maker not having ASIC relief to allow short selling of Coin Interests). If the market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker. Subject to the Cboe Operating Rules and agreements with market maker, the Responsible Entity may replace or terminate the market maker. The Responsible Entity may determine to no longer appoint market makers in respect of the Coin Interests in circumstances where it is no longer required to do so under the Cboe Operating Rules.

Difference between an Authorised Participant and market maker

An Authorised Participant is a person approved by the Responsible Entity in accordance with paragraph 8.1(d) above, which subject to certain terms and conditions has the ability to apply for and redeem Coin Interests in the primary market. A market maker is an Authorised Participant who has agreed with the Fund to provide liquidity to the market through the Creation and Redemption of Coin Interests directly with the Fund, and the buying and selling of Coin Interests on the secondary market, in accordance with the terms of the market making arrangement. As such, a person can be both an Authorised Participant and a market maker appointed by the Fund, but not all Authorised Participants will need to be market makers.

(f) Other Service Providers

As at the date of this PDS, the Responsible Entity has appointed the service providers listed in the Corporate

Directory of this PDS to provide services to the Fund. The service providers may be changed, or added to, at any time without notice to Holders.

10.2 SUMMARY OF MATERIAL DOCUMENTS

(a) Trust Deed of the Fund

The operation of the Fund is governed under the law and the Trust Deed of the Fund which has been lodged with, and registered by the ASIC, as a managed investment scheme under Chapter 5C of the Corporations Act.

The Trust Deed and the Corporations Act govern the rights and obligations of investors and the Responsible Entity. The Trust Deed sets out the conditions under which the Fund will operate, terminate, and the rights, obligations and liability of the Responsible Entity.

The Trust Deed also addresses matters such as creations, redemptions, the transfer of Coin Interests, investors' rights, our powers to invest, borrow and generally manage the Fund, and the Responsible Entity's fee entitlement. The Trust Deed provides that, while the Coin Interests are quoted on Cboe, Holders may make transfers in any manner permitted by CHES and the Cboe Operating Rules.

A Coin Interest confers a beneficial interest on the Holder in the assets of the Separate Trust relating to the Coin Interest. The Trust Deed provides that the liability of each Holder is limited to the amount subscribed, or agreed to be subscribed by the Holder, for Coin Interests. Recourse of the Responsible Entity and Fund creditors is limited to the Assets.

The Responsible Entity may convene meetings of Holders at any time (e.g., to approve certain amendments to the Trust Deed or to wind up the Fund). Holders also have limited rights to call meetings and have the right to vote at any Holder meetings. Except where the Trust Deed provides otherwise, or the Corporations Act requires otherwise, a resolution of Holders must be passed by Holders who hold Coin Interests exceeding 50% of the value of the total value of all Coin Interests held by Holders who vote on the resolution. A resolution passed at a meeting of Holders held in accordance with the Trust Deed binds all Holders of the Fund. No significant change to the investment objective will be made unless such change is approved by a resolution of Holders passed by Holders representing at least 75% of votes cast.

The Responsible Entity may alter the Trust Deed if it reasonably considers the amendments will not adversely affect investors' rights, or with the consent of Cboe or notification to Cboe in certain circumstances. Otherwise, the Responsible Entity must obtain investors' approval at a meeting of investors. Under the Trust Deed, if the Corporations Act or ASIC Relief (including ASIC Class Order) on which the Responsible Entity has determined it wishes to rely on or which is expressly applicable to the Fund and the Responsible Entity, requires the Trust Deed to contain certain provisions ("the **Regulatory Required Provisions**"), then to the extent Corporations Act allows,

the Trust Deed is taken to be amended so that the relevant Regulatory Required Provisions are included as separate provisions. The Holders authorise the Responsible Entity to make the amendments required in this respect in a deed and, if required, lodge it with ASIC. The Holders are deemed to agree that, subject to the Corporations Act, their rights under the Trust Deed do not include or extend to a right not to have the Trust Deed amended to comply with the relevant regulatory requirements or to include the Regulatory Required Provisions.

The Responsible Entity may retire or be required to retire (if investors vote for its removal). No Coin Interests may be issued after the 80th anniversary of the date of the Trust Deed. The Responsible Entity may exercise a right to terminate the Fund earlier. Following the winding up of the Fund, the Responsible Entity must distribute the assets of each Separate Trust (after deducting liabilities and expenses referable to that Separate Trust) to the relevant Holder.

The Responsible Entity of the Fund is indemnified out of the Assets for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the Fund's Trust Deed and at law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity. The Fund may retain and pay out of any money in its hands all sums necessary to affect such an indemnity. Holders can inspect a copy of the Fund's Trust Deed at the head office of the Responsible Entity during normal business hours or it will provide Holders with a copy free of charge.

The Trust Deed provides for circumstances in which the Responsible Entity may compulsorily redeem all or a portion of the Coin Interests held by any or all Holders. Depending on the specific circumstances, such a compulsory redemption requires either 60 days' or 3 Business Days' notice as described below.

The Responsible Entity may, in its absolute discretion and upon a minimum of 60 days' notice to a Holder or Holders, redeem all or a portion of the Coin Interests held by any or all Holders if:

- > the Responsible Entity believes that the Coin Interests are held in breach of prohibitions contained within the Trust Deed;
- > the Responsible Entity determines that the Fund is uneconomical to operate;
- > a Holder made a misrepresentation in acquiring its Coin Interests;
- > the Coin Interests held by a Holder comprise less than a marketable parcel as provided in the ASX Settlement Rules;
- > a Holder is a registered holder of Coin Interests having an aggregate value of less than the Minimum Holding, provided that it does so in accordance with the terms of the Trust Deed, the Corporations Act (including any ASIC Relief) and the Cboe Operating Rules (while the

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Fund is quoted). Note that as at the date of this PDS there is no Minimum Holding for Coin Interests;

- > the Custodian terminates the Custody Agreement and the Responsible Entity is unable to find a suitable replacement Custodian; or
- > subject to the Corporations Act and the Cboe Operating Rules, such other circumstances as the Responsible Entity determines in its absolute discretion.

The Responsible Entity may, in its absolute discretion and upon a minimum of 3 Business Days' notice to a Holder or Holders, redeem all or a portion of the Coin Interests held by any or all Holders if:

- > the Responsible Entity believes that the Coin Interests are held in circumstances which might result in a violation of an applicable law or regulation, or subject the Fund to taxation or otherwise adversely affect the Fund in any material respect; or
- > the Responsible Entity determines that the continued participation of a Holder might cause the Responsible Entity or any Holder to violate any law or if any litigation is commenced or threatened against the Responsible Entity or any Holder arising out of the participation of the Holder in the Fund.

(b) The Coinbase Custody Agreement

The Secured Account has been established pursuant to the terms of the Custody Agreement between the Custodian and the Responsible Entity. The Custodian will hold Bitcoin on trust for the Responsible Entity pursuant to the terms of the Custody Agreement. The Custody Agreement complies with the regulatory requirements imposed in relation to custody of assets.

Each of the Custodian and the Responsible Entity are entitled to terminate the Custody Agreement upon 60 days' prior written notice to the other party. Under the terms of the Custody Agreement the Custodian is entitled to fees for its services. These fees are payable by the Responsible Entity out of the Management Fee which it receives from the Fund.

Upon entry into any new custody agreements, the Responsible Entity will publish details of the new arrangements on its website at www.etfsecurities.com.au.

(c) The HSBC Custody Agreement

The HSBC Custody Agreement between The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (HSBC) and the Responsible Entity provides that interests in the Sub-Fund will generally be held by HSBC on trust for the Responsible Entity. The HSBC Custody Agreement sets out the remainder of the terms and conditions upon which such assets of the Fund will be held. The HSBC Custody Agreement complies with the regulatory requirements imposed in relation to custody of assets.

The HSBC Custody Agreement has been entered into for an initial fixed term of 5 years. HSBC is entitled to terminate the HSBC Custody Agreement at any time

upon 90 days' notice. The HSBC Custody Agreement may be terminated by either party at any time, with immediate effect, in the event of material breach by the other party, which is not remedied within 30 days of notice being provided, or upon insolvency of a party. Under the terms of the HSBC Custody Agreement, HSBC is entitled to charge fees for its services. Any such fees are payable by the Responsible Entity out of the Management Fee that it receives from the Fund.

(d) The Registrar Agreement

The Registrar is appointed pursuant to the Registrar Agreement whereby the Registrar is responsible for supplying or procuring the supply of certain registrar services to the Fund as set out in the Registrar Agreement and for which the Responsible Entity agrees to pay the Registrar a fee out of its Management Fee.

Each of the Registrar and the Responsible Entity are entitled to terminate the Registrar Agreement after a fixed term of 2 years from the date of that agreement (or, in certain circumstances immediately upon written notice during such fixed term), in either case upon 6 months' written notice.

(e) The Administration Agreement

The Administration Agreement is between the Responsible Entity and the Administrator.

It sets out terms on which the Administrator undertakes to provide or procure services to the Holders and to the Responsible Entity in connection with the Coin Interests.

Each of the Administrator and the Responsible entity are entitled to terminate the Administration Agreement on 3 months' written notice or, in certain circumstances immediately upon written notice. Under the terms of the Administration Agreement the Administrator is entitled to charge a fee for its services. Any such fee is payable by the Responsible Entity out of the Management Fee which it receives from the Fund.

10.3 COMPLIANCE COMMITTEE AND COMPLIANCE PLAN

The Responsible Entity has established a compliance committee with a majority of members that are external to the Responsible Entity. The compliance committee's functions include:

- > monitoring the Responsible Entity's compliance with the compliance plan and reporting its findings to the Responsible Entity;
- > reporting breaches of the Corporations Act or the Trust Deed to the Responsible Entity;
- > reporting to ASIC if the committee is of the view that the Responsible Entity has not taken or does not propose to take appropriate actions to deal with breaches reported to it by the committee; and
- > assessing the adequacy of the compliance plan, recommending any changes and reporting these to the Responsible Entity.

The Fund has a Compliance Plan in place. The Compliance Plan sets out how the Responsible Entity will ensure compliance with both the Corporations Act and the Trust Deed when operating the Fund. Under the Compliance Plans, the Responsible Entity is required to manage, monitor, and report on the ongoing compliance of the Fund with the Corporations Act, the Trust Deed, and the PDS. In the Compliance Plan, the Responsible Entity is required to consider the following matters:

- > the appointment and monitoring of counterparties;
- > Fund investments and property arrangements;
- > asset valuation and Net Asset Value;
- > Fund records and financial reporting;
- > related party transactions;
- > complaints handling; and
- > AFS licensing.

10.4 AMENDMENT OR WITHDRAWAL OF THE PDS

The Responsible Entity may supplement, amend or withdraw this PDS at any time and may reissue a new or amended PDS from time to time.

10.5 PRIVACY AND CONFIDENTIALITY

As required by law, the Responsible Entity has adopted privacy policies that governs the collection, storage, use and disclosure of personal information. Should an Authorised Participant apply for Coin Interests by lodging a Creation Request (only applies to Authorised Participant), by submitting the completed Creation Request, the Authorised Participant acknowledges and agrees to the Responsible Entity collecting, storing, using and disclosing the Authorised Participant's personal information in accordance with its privacy policies.

This includes using an Authorised Participant's personal information to process their Creation Request for the Coin Interests, issue Coin Interests and comply with relevant laws.

For example information may be used to:

- > ensure compliance with all applicable regulatory or legal requirements. This includes the requirements of ASIC, ATO, AUSTRAC, Cboe and other regulatory bodies or relevant exchanges including the requirements of the superannuation law; and
- > ensure compliance with the AML/CTF Act. If an Authorised Participant does not provide the personal information required, their Creation Request may not be processed.

The Responsible Entity may be required to disclose some or all of a Holder's personal information, for certain purposes (as described under the Privacy Act 1988 (Cth)) to:

- > service providers, related bodies corporate or other third parties for the purpose of account maintenance

and administration and the production and mailing of statements, such as share registries, custodians, auditors of the scheme and certain software providers related to the operational management and settlement of the Coin Interests;

- > related bodies corporate that might not be governed by Australian laws for the purpose of account maintenance and administration; or
- > to a Holder's financial adviser if they provide us with written consent to do so.

The Responsible Entity may also disclose a Holder's personal information to:

- > market products and provide services to them; and
- > to improve customer service (which may involve providing their personal information to other external service providers, including companies conducting market research).

This is to keep a Holder's financial adviser or broker (as notified to the Responsible Entity) informed so such adviser or broker can provide them with financial advice and ongoing service.

If any of the disclosures in the previous bullet points require transfer of a Holder's personal information outside of Australia, they consent to such transfer.

All personal information collected by the Responsible Entity will be collected, used, disclosed and stored by the Responsible Entity in accordance with its Privacy Policy, a copy of which will be made available to any Holder on request.

The Responsible Entity, Custodian, HSBC, Administrator and Registrar respect the privacy of investors. Although Creation Requests are only accepted from Authorised Participants, if any other investor purchases Coin Interests in the Fund, their name may be placed on the Register and their personal information may be used to manage the Register and be disclosed under the Corporations Act. Please note that personal information may be provided to service providers, but only under strict privacy controls.

The Responsible Entity currently only operates in Australia and with the support of its affiliates, related bodies corporate and service providers. However, to the extent that the Responsible Entity operates overseas, it is possible that the Responsible Entity may disclose personal information to overseas recipients for the purposes outlined above.

Individuals who wish to access the personal information the Responsible Entity holds about them should contact the Responsible Entity at infoAU@etfsecurities.com.au. The Responsible Entity has a privacy policy which is available at www.etfsecurities.com.au or by contacting the Responsible Entity on infoAU@etfsecurities.com.au or +61 2 8311 3488. If an investor thinks the Responsible Entity's records are wrong or out of date, particularly address, e-mail address or adviser details, it is important

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that the investor contact the Responsible Manager so that it can correct them.

10.6 ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING ACT 2006

Enacted by the Australian Government in December 2006, the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (“**AML/CTF Act**”) regulates financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML/CTF Act is regulated by the Australian Transaction Reports and Analysis Centre (“**AUSTRAC**”). Under the AML/CTF Act, the Fund (or its agent) is required:

- > to verify the identity of Authorised Participants before issuing securities to the Authorised Participant, and to re-identify the Authorised Participant if it considers it necessary to do so;
- > to verify the identity of any redeeming Holders before accepting a Redemption Request, and to re-identify the redeeming Holder if it considers it necessary to do; and
- > to keep a record of any identification documentation for 7 years.

No application or redemption will be accepted by the Responsible Entity unless evidence of a Holder’s identity, in such form as is satisfactory to the Responsible Entity and its agents, is provided. If a Holder fails to satisfy this requirement, any Bitcoin transferred by the Holder to a Secured Account will be retained until such evidence is forthcoming. By lodging an application or redemption, each Holder undertakes to provide such evidence of identity as is required by the Responsible Entity, HSBC or the Custodian at: (i) the time of lodging the application or redemption; (ii) when depositing Bitcoin into the Secured Account (if applicable); or (iii) at such specified times as the Responsible Entity may in its discretion require. The Administrator is also entitled to determine, in its discretion and through application of its own KYC procedures, whether the verification of identity requirements apply to a Holder and whether such requirements have, indeed, been satisfied. However, none of the Responsible Entity, Administrator, HSBC or the Custodian shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their aforementioned discretions.

Identification of Authorised Participants

By lodging a Creation Request, each Authorised Participant confirms that it is a reporting entity under the AML/CTF Act and undertakes to provide the Responsible Entity with evidence of identity required by the Responsible Entity pursuant to the AML/CTF Act at any time upon request. No Creation Request will be accepted by the Responsible Entity unless such evidence of the Authorised Participant’s identity satisfactory to the Responsible Entity and its agents has been provided. The Responsible Entity can accept or reject any Creation Request in its discretion and is not liable for any resulting loss.

Transaction Freezes

Transactions may be delayed, blocked, frozen or refused where the Fund has reasonable grounds to believe that the transaction breaches Australian law or sanctions or the law or sanctions of any other country. Where transactions are delayed, blocked, frozen or refused the Fund is not liable for any loss you suffer (including consequential loss) as a result of its compliance with the AML/CTF Act.

Reporting Obligations to AUSTRAC

The Fund has certain reporting obligations pursuant to the AML/CTF Act. The legislation prevents the Fund from informing you that any such reporting has taken place. Where legally obliged to do so, the Fund and its agents may disclose the information gathered to regulatory and/or law enforcement agencies, including AUSTRAC and to other bodies, if required by law.

10.7 NO COOLING OFF PERIOD

No cooling off period is provided in respect of investments in the Coin Interests. Once lodged, a Creation Request or Redemption Request is irrevocable except as required by law.

10.8 CONSENTS

Coinbase Custody Trust Company, LLC has given, and as at the date of this PDS has not withdrawn, its written consent to be named in this PDS as the Custodian of the Bitcoin. The Custodian has not caused or authorised the issue of this PDS and does not take any responsibility for any part of this PDS, other than the reference to its name as the Custodian of the Bitcoin. The Custodian does not take any responsibility for the performance of the Coin Interests.

The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (“**HSBC**”) has given, and as at the date of this PDS not withdrawn, its consent to be named as custodian in respect of the interests in the Sub-Fund which are held by the Fund. This consent is given on the basis that HSBC has not authorised or caused the issue of the PDS and has not made any statement that is included in the PDS or any statement on which a statement made in the PDS is based. HSBC expressly disclaims and takes no responsibility for any statements in or omissions in the PDS. This applies to the maximum extent permitted by law and does not apply to any matter to the extent to which the consent is given above.

The Administrator has given, and as at the date of this PDS has not withdrawn, its written consent to be named in this PDS as the Administrator of the Fund. The Administrator has not caused or authorised the issue of this PDS and does not take any responsibility for any part of this PDS, other than the reference to its name as the Administrator of the Fund. The Administrator does not take any responsibility for the performance of the Coin Interests.

Baker & McKenzie (solicitors) has given, and as at the date of this PDS not withdrawn, its written consent to being

named as having acted as solicitors to the Responsible Entity in connection with the issue of Coin Interests pursuant to this PDS. It has, in that capacity, prepared the terms of this PDS. Otherwise, Baker & McKenzie does not make any statement in, or take responsibility for any part of, this PDS and has not authorized the issue of the PDS nor does any statement herein purport to be based on a statement made by Baker & McKenzie except for the terms of this PDS.

Computershare Investor Services Pty Limited has given, and as at the date of this PDS not withdrawn its consent to be named as Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this PDS other than being named as Registrar. Computershare Investor Services Pty Limited has not authorised, or caused the issue of and expressly disclaims and takes no responsibility for this PDS.

10.9 REPORTING

Holders will receive the following regular reports:

- > Confirmations of all of their own Creations or Redemptions (issued following transactions and on request);
- > Contract notes from their broker (issued following all purchases or sales on the Cboe market);
- > Taxation statements issued annually after 30 June, providing Holders with taxation information including a summary of any Distributions; and
- > Annual report including audited financial statements of the Fund. These are available online at www.etfsecurities.com.au.

10.10 ONGOING DISCLOSURE

The Responsible Entity will comply with the continuous disclosure requirements of the Act as if the Fund were an unlisted disclosing entity.

10.11 COMPLAINTS

While the Fund is registered, if a Holder submits to the Responsible Entity a complaint in relation to the Fund or its operations, the Responsible Entity must, if the Holder is a Retail Client, comply with the requirements of section 912A(2) of the Corporations Act applicable to the complaint.

Complaints may be lodged by writing to the Responsible Entity at the address shown on the back cover of this PDS. The Responsible Entity will always acknowledge any complaint in writing within one business day or as soon as reasonably practicable and respond within 30 days. If the complainant remains unhappy, the complaint can then access an independent external dispute resolution scheme.

Complaints can be lodged with the Australian Financial Complaints Authority (“AFCA”) of which the Responsible Entity is a member. AFCA is the external dispute resolution scheme for complaints involving financial services and products. Contact details for AFCA are as follows:

Address: GPO Box 3, Melbourne VIC 3001

Telephone: 1800 921 678

Email: info@afca.org.au

Website: www.afca.org.au

If investing through an IDPS or IDPS-like service then enquiries and complaints about your investment through the IDPS or IDPS-like service should be directed to the operator of that service or the Responsible Entity. Complaints regarding the operation of an IDPS or IDPS-like service should be directed to the IDPS operator.

The Australian Securities and Investment Commission also has a free call Infoline on 1300 300 630 which Holders may use to make a complaint and obtain information about their rights.

10.12 ASIC RELIEF

Ongoing Disclosure Relief

The Responsible Entity intends to rely upon the exemption in relation to ongoing disclosure requirements that is contained within ASIC Class Order [CO 13/721]. Under the terms of this exemption, a responsible entity of an exchange traded fund does not have to comply with section 1017B of the Corporations Act in relation to interests in a class of interests in the fund that are admitted to trading status as ETF Securities, for as long as the responsible entity complies with the provisions of the Corporations Act that apply to unlisted disclosing entities as if the Fund were an unlisted disclosing entity and makes statements to this effect in the relevant PDS.

The Responsible Entity will comply with the continuous disclosure requirements of the Corporations Act as if the Fund was an unlisted disclosing entity.

Differential Fee Treatment Relief

The Responsible Entity intends to rely upon the exemption in relation to differential fee treatment that is contained within ASIC Corporations (Registered Schemes: Differential Fees) Instrument 2017/40, to the extent that any fees are waived or discounted for certain Holders. Under the terms of this exemption, a responsible entity may charge, rebate or waive a management fee charged to a member on a basis that differs from that applying to other members who hold interests of the same class, where that differential treatment is based on at least one of the specified circumstances. These circumstances include where the differential treatment is in response to an offer made to a member that is a wholesale client (as defined in the Corporations Act) and based upon individual negotiation between the responsible entity and that member.

11. Taxation Considerations

11.1 INTRODUCTION

An investment in the Fund will have taxation consequences. The following taxation advice is a summary only, and each Holder is encouraged to seek their own independent tax advice.

This summary only deals with the Australian income tax and stamp duty considerations relevant for a Holder and does not deal with tax consequences in relation to other jurisdictions. Holders may hold their Coin Entitlement on revenue or capital account, depending on their individual circumstances. The following discussion is based upon the Australian law and administrative practice in effect as at the date of this PDS. Holders should be aware that the ultimate interpretation of taxation law rests with the Courts and that the law, and the way the Federal Commissioner of Taxation (“**Commissioner**”) or a Commissioner of State Revenue administers the law, may change at any time. This statement is necessarily general in nature and does not take into account the specific taxation circumstances of each individual investor. Investors should seek independent professional advice in relation to their own particular circumstances before making any investment decision.

This statement is necessarily general in nature and does not take into account the specific taxation circumstances of each individual Holder. The Australian Taxation Office (“**ATO**”) actively encourages issuers of financial products to apply for a product ruling for financial products before offering products to the public. A product ruling was not sought for this product. It is also possible for Holders to obtain certainty regarding the tax treatment of this product by applying for a private ruling from the ATO. Holders should seek independent professional taxation advice in relation to their own particular circumstances before making any investment decision, including whether it is appropriate to apply for a private ruling regarding the tax treatment of this product.

References in this section to the “1936 Act” and the “1997 Act” are references to the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth), respectively.

11.2 PRELIMINARY COMMENTS – ABSOLUTE ENTITLEMENT

The Fund and Sub-Fund are established as bare trust arrangements.

The tax consequences of disposing or redeeming a Coin Interest / Coin Entitlement are discussed in Sections 11.5

and 11.6 below. In addition to the tax consequences discussed in those parts, it is also possible that the Holder may make a capital gain or loss in respect of other aspects of this transaction unless the Holder is “absolutely entitled” (for CGT purposes) to their Bitcoin. The state of the law relating to absolute entitlement is subject to some uncertainty and it is important that Holders are aware of the general risks relating to the tax treatment of custodial or bare trust investments. This is relevant as each Coin Interest represents a bare trust interest in the Sub-Fund, and each bare trust interest in the Sub-Fund is in turn a bare trust interest in an amount of Bitcoin equal to the Coin Entitlement.

An absolutely entitled Holder (rather than the custodian or trustee) may be treated as the relevant taxpayer in respect of the asset for the purpose of the CGT provisions. The concept of absolute entitlement is not defined in the tax legislation. Generally speaking, the phrase has been understood as being intended to describe a situation in which the beneficiary of a trust has a vested, indefeasible and absolute entitlement in trust property and is entitled to require the trustee to deal with the trust property as the beneficiary directs.

One of the difficulties in applying the principle of absolute entitlement to the Separate Trusts of the Fund and the Sub-Fund is that each Holder has an interest in the Bitcoin that the Custodian holds on behalf of the Holders in this product. No single Holder has an interest in any particular piece of Bitcoin held by the Custodian.

As a general rule, the ATO takes the approach that if there is more than one beneficiary with interests in a trust asset, it is not possible for any single beneficiary to call for the asset to be transferred to them, because their entitlement is not to the entire asset (see draft public Taxation Ruling TR 2004/D25).

However, the ATO may treat a Holder as being absolutely entitled to an asset if:

- > the assets are fungible;
- > the beneficiary is entitled against the trustee to have their interest in those assets satisfied by a distribution or allocation in their favour of a specific number of them; and
- > there is a clear understanding between the parties that the beneficiary is entitled to that specific number of the trust’s assets.

The ATO takes the view that it is possible to trace absolute entitlement through a chain of trusts (for example, the beneficiary of the head trust holds their interest on a sub trust for others) such that if absolute entitlement is satisfied at the level of each trust in the chain, then the beneficiary of the sub trust is absolutely entitled to the assets of the head trust (see draft public Taxation Ruling TR 2004/D25).

If the principles in the ATO’s draft public ruling are applied to the Separate Trusts of the Fund and Sub-Fund, it is likely that the ATO would treat a Holder as being

absolutely entitled to the Bitcoin held in the Sub-Fund where a Holder transfers Bitcoin from their own wallet to the Custodian to be held under this product or if the Holder requests the Responsible Entity to transfer Bitcoin back into their wallet. This is because Bitcoin is fungible and is used as a vehicle for monetary exchange. Further, the investment is liquid and a Holder may at all times call for their share of the Bitcoin held by the Custodian to be transferred to them or as they direct. Finally, there is a clear understanding on the part of all Holders that each Holder is entitled to a specific amount of the Bitcoin held by the Custodian on behalf of Holders who invest under this PDS.

Since the ATO's draft public ruling on absolute entitlement was released in 2004,² a number of Australian cases have discussed the concept of absolute entitlement. These cases may raise concerns as to whether a bare trust or custodial holding can satisfy the requirements of absolute entitlement. For example, the Federal Court in *Oswal v FC of T* [2013] FCA 745 recently suggested that in some circumstances a trustee's statutory power of indemnity may defeat absolute entitlement.

To date, and as discussed above, the ATO has taken a more flexible and practical approach to absolute entitlement than seems to be required by case law. The ATO acknowledges that there are various structures in the market relying on absolute entitlement which arguably may fall outside the technical scope of the concessions. The Treasury is currently reviewing whether the law in this area needs to be amended or clarified to ensure that appropriate tax outcomes result from custodial arrangements. The ATO has deferred the finalisation of its draft public ruling on absolute entitlement pending consultation with the Treasury in relation to absolute entitlement, including the issues related to multiple beneficiaries. While this consultation is in progress, the draft public ruling represents the ATO's current view of the law. This should mean that, if the Commissioner changes his position in relation to the concept of absolute entitlement, a taxpayer may still be liable for any resulting tax payable, but should not be subject to administrative penalties or interest as a result of relying on this draft public ruling. The alternative tax consequences of the investment, if a Holder is not absolutely entitled to their Coin Entitlement, is discussed in Section 11.9 below.

In the *Colonial First State Investments Ltd Decision Impact Statement*, the ATO provide an administrative concession for bare trusts. That is, despite the Commissioner of Taxation's view that "bare trusts" are recognised for all income tax purposes (except pursuant to the relevant CGT provisions), the ATO confirmed that it will not seek to disturb the current practice of ignoring bare trusts for most income tax purposes (while reform options to address the issue are being considered by the Federal Government). It is likely that this administration concession extends to the Separate Trusts given the Fund and Sub-Fund are bare trust managed investment schemes.

2. Please refer to the draft public ruling TR 2004/D25 issued on 15 December 2004.

11.3 COIN ENTITLEMENTS – REVENUE OR CAPITAL ACCOUNT

The income tax consequences for a Holder in relation to an investment in this product depend on whether the Holder holds the Coin Entitlement on revenue account or on capital account. Whether a Holder holds their Coin Entitlement on revenue or capital account will generally depend on the Holder's particular circumstances, including their purpose in acquiring their Coin Entitlement.

The Commissioner of Taxation expressed the view in Taxation Ruling 92/3 that a profit made by a taxpayer from an isolated transaction may be on revenue account if:

- > the taxpayer enters into the transaction with the intention or purpose of making a profit or gain; and
- > the transaction is entered into and the profit is made in the course of carrying on a business or in carrying out a business operation or commercial transaction.

Generally speaking, a Holder who acquires their Coin Entitlement for resale at a profit and the transaction is entered into in the course of carrying on a business, or in carrying out a business operation or commercial transaction should hold their Coin Entitlement on revenue account. In this regard, Bitcoin is generally not an income producing asset and a Holder would typically seek to make a return from the Bitcoin by selling the Bitcoin at a profit. A Holder who acquires their Coin Entitlement for long term investment purposes may hold their Coin Entitlement on capital account.

Ultimately, the tax treatment of investing in the Coin Entitlement will depend on the Holder's own circumstances and should be discussed with a tax advisor.

11.4 CREATION REQUEST TO ACQUIRE A COIN INTEREST

There should be no consequences for a Holder when they apply to acquire a Coin Interest in the Fund.

11.5 REVENUE ACCOUNT HOLDERS

Disposal or redemption of a Coin Interest / Coin Entitlement

A Holder who takes delivery of the Bitcoin on redemption should not be taxed until Bitcoin is actually sold. This is because the Holder should remain the beneficial owner of the Bitcoin.

A Holder who disposes of their Coin Entitlement via the Coin Sale method may make a profit or loss on disposal. For Holders (other than Authorised Participants) the profit or loss should be calculated by reference to the sale proceeds less the price paid to acquire the Coin Interest. It is generally expected that most Holders (other than Authorised Participants) will buy and sell Coin Interests on the Cboe. In this case, the profit or loss on disposal of the Coin Interest should be determined by reference to the difference between the offer price at which the Coin

11. Taxation Considerations

Interest is sold and the bid price at which the Coin Interest was acquired on the Cboe).

Sale of Forked Assets

The receipt of a Forked Asset should not be a taxable event. Instead, the cost base of the Forked Asset is nil. In the event of the sale of a Forked Asset, the Holder may make a profit equal to the sale proceeds received on disposal.

Fees and expenses

Holders will be charged a Management Fee. If a Holder holds a Coin Entitlement on revenue account then fees and expenses incurred in holding the Coin Entitlement should be deductible as ordinary expenses.

The Management Fee will accrue daily and is payable monthly. The Management Fee is settled by the transfer of Bitcoin to the Responsible Entity's account monthly. This transfer may crystallise a gain or loss on the partial disposal of the Coin Entitlement. If it does crystallise a gain this could be offset against the deductible Management Fee.

11.6 CAPITAL ACCOUNT HOLDERS

Disposal or redemption of a Coin Interest / Coin Entitlement

A Holder who takes delivery of the Bitcoin on redemption under the Coin Delivery Method should not be taxed until the Bitcoin is actually sold. This is because the Holder should remain the beneficial owner of the Bitcoin.

A Holder who disposes of their Coin Entitlement via the Coin Sale method may make a capital gain or capital loss on disposal. A Holder will generally make a capital gain on the disposal of the Coin Entitlement where the sale proceeds exceeds the cost base of the Coin Entitlement. If the capital proceeds received by a Holder are less than the Holder's reduced cost base in the Coin Entitlement, then the Holder will make a capital loss.

The cost base that a Holder has in a Coin Entitlement is, broadly, the sum of the following:

1. the amount the Holder paid to acquire the Coin Entitlement (i.e. the price paid to acquire the Coin Interest);
2. the incidental costs of acquisition and disposal of the Coin Entitlement (e.g. Sale Costs and any professional advisory fees); and
3. any costs of ownership of the Coin Entitlement (e.g. Management Fees or Redemption Fees (in the case of physical redemption)).

The reduced cost base of a Coin Entitlement includes 1 and 2 but not 3 of the matters listed immediately above.

Holders will be charged a Management Fee. The Management Fee is settled by the transfer of Bitcoin to the Responsible Entity's account monthly. This transfer may crystallise a capital gain or loss on the partial disposal of the Coin Entitlement.

Disposal through secondary market

It is generally expected that most Holders (other than Authorised Participants) will buy and sell Coin Interests on the Cboe. In this case, the capital proceeds should be the offer price at which the Coin Interest was acquired on the Cboe and the cost base should include the bid price at which the Coin Interest was acquired on the Cboe and any brokerage fees).

CGT discount

If a Holder is a resident individual, trust or complying superannuation entity or a life insurance company which holds their Coin Entitlement as a complying superannuation / FHSA asset, then they may be able to claim the benefit of the CGT discount. A corporate Holder cannot claim the benefit of the CGT discount.

Broadly, the CGT discount exempts a portion of the net assessable capital gain from taxable income, where the Holder has held the Bitcoin for more than twelve months. For Holders who are Australian individuals or trusts this portion is 50%. For Holders who are complying superannuation entities or life insurance companies who hold their Coin Entitlement as a complying superannuation / FHSA asset, the portion is 33.33%.

Any available capital losses incurred by the Holder are offset against the capital gain before the remaining assessable net capital gain is discounted in the hands of the Holder. Capital losses can only be offset against gains assessable under the CGT provisions.

Sale of Forked Assets

The receipt of a Forked Asset should not be a taxable event. Instead, the cost base of the Forked Asset is nil. In the event of the sale of a Forked Asset, the Holder may make a capital gain or capital loss. It will qualify for the benefit of the CGT discount provisions if the Forked Asset has been held by the Sub-Fund for more than 12 months.

11.7 AUTHORISED PARTICIPANTS

As an Authorised Participant is likely to acquire their Coin Interests in the course of trading and/or carrying on a business, such a Holder would ordinarily hold the Coin Interest on revenue account. As such, an Authorised Participant who disposes of their Coin Entitlement (or elects for cash settlement on redemption) should calculate the profit or loss on disposal (or redemption) of the Coin Interest by reference to the sale proceeds received on disposal of the Coin Interest (or the cash received on redemption) less the price paid to acquire the Bitcoin. The Creation Fee paid by an Authorised Participant on application should be deductible.

11.8 FOREIGN EXCHANGE GAINS/LOSSES

Division 775 of the 1997 Act provides rules on the recognition, timing and measurement of foreign exchange gains and losses. Subject to a number of exceptions and

elections, foreign exchange gains and losses are generally assessed to a taxpayer on revenue account.

The purchase and sale of the Bitcoin may involve the purchase and sale of foreign currency. As a consequence, the investment may result in foreign exchange gains or losses. Generally, a Holder will be assessable on foreign exchange gains under Division 775. However, foreign exchange losses made by the trustee cannot be passed to a Holder but instead are trapped in the Separate Trust of which the Holder is a beneficiary.

11.9 ALTERNATIVE TAX TREATMENT

For completeness, if a Holder is not treated as being absolutely entitled to their Coin Entitlement (for tax purposes), then the tax consequences of the investment would be different to those described above. Broadly:

- > The Separate Trust would be recognized for tax purposes. As a result, the trustee of the Separate Trust would be required to file tax returns in respect of the Holder's investment. Further, the Holder would be subject to tax under Division 6 of the 1936 Act on the net income of the trust, to the extent that the Holder is presently entitled to the income of the Separate Trust.
- > A taxing event may happen to the Holder if the Holder chooses to transfer Bitcoin from their own Bitcoin wallet to the Custodian to acquire the Coin Interest. A taxing event may happen to the Holder when the trustee of the Separate Trust subsequently transfers the Bitcoin to the Sub-Fund.
- > Similarly, a taxing event may happen to the trustee of the Separate Trust if the Holder takes delivery of the Bitcoin on redemption.
- > Any loss made in respect of the investment in Bitcoin may be trapped in the Separate Trust.

There may be other tax consequences for the Holder if the alternative tax treatment applies.

11.10 PART IVA OF THE 1936 ACT

Part IVA of the 1936 Act contains the general anti-avoidance regime for income tax. Broadly, Part IVA can apply to a Holder's investment if any party has entered into this arrangement for the dominant purpose of enabling the Holder to obtain a tax benefit.

A tax benefit can include deferring the recognition of assessable income to a later income year, or converting an assessable income amount into a discount capital gain.

Part IVA of the 1936 Act may apply if, viewed objectively, a Holder would be taken to have invested in this product with the dominant purpose of obtaining a tax benefit. This question would depend on the circumstances of each Holder. Depending on the profile of the Holder, the Commissioner may need to weigh the commercial advantages of investing in this product – including those set out in this PDS – against the tax benefits of the Holder.

Holders should discuss the potential application of Part IVA of the 1936 Act with their own tax adviser.

11.11 RULINGS

The ATO actively encourages issuers of financial products to apply for a product ruling before offering products to the public. The clear preference of the ATO is that issuers apply for a product ruling for each product, however the application for a product ruling is not mandatory. A product ruling was not sought for this product.

The ATO encourages Holders that invest in products for which no product ruling has been obtained by the issuer, to consider whether the investment in question is suitable for their needs. Holders should carefully review any materials, such as product disclosure statements, that describe the tax treatment of financial products before deciding whether to invest in the product.

In particular, the ATO recommends that Holders seek independent tax or legal advice about the tax consequences of investing in financial products from an independent adviser who is not involved in selling the product. Such tax advice should be separate from advice from a licensed financial planner about the benefits or risks of making the investment.

11.12 TAXATION OF FINANCIAL ARRANGEMENTS

Division 230 of the 1997 Act contains rules relating to the taxation of financial arrangements ("TOFA"). There are a number of exclusions from TOFA. Specifically, the TOFA rules should not apply to superannuation entities with assets of less than \$100 million, or individuals that hold a Coin Entitlement (since the Coin Entitlement is not regarded as a qualifying security). Other Holders should seek their own advice as to the possible application of the TOFA regime to their investment in a Coin Entitlement.

11.13 TAX REFORM

The expected tax implications of investing in the Coin Interests described in this tax disclosure may change as a result of changes in the taxation laws and interpretation of them by the tribunals, courts and/or the Australian Tax Office or any relevant state or territory revenue office.

It is recommended that Holders obtain independent taxation advice that takes into account your specific circumstances regarding investing in the Coin Interests and the potential application of any changes in the tax law.

On 8 December 2021, the Treasurer announced as part of a broader response to a review on Australia's payments system and the regulation of digital assets, that the Federal Government would task the Board of Taxation with undertaking a review into the appropriate policy framework for the taxation of digital transaction and assets such as cryptocurrency. As a result, on 21 March 2022 the Federal Government released the terms of reference for this review by the Board of Taxation, with the review scheduled to be completed by 31 December 2022.

11. Taxation Considerations

11.14 GST

The supply of the Coin Interests should not be subject to GST. If GST is or becomes payable on any supply made under, or in connection with this document, you will be required to pay the GST to the supplier.

A Holder may not be entitled to full input tax credits for GST paid on the acquisition of goods and services (for example, financial advisory services) relating to the issue of the Coin Interests and acquisition and/or subsequent sale of Coin Interests. This will depend on the Holder's personal circumstances and each Holder should obtain independent tax advice applicable to their personal circumstances.

11.15 STAMP DUTY

It is not expected that the Fund will hold any interests in land, physical assets or business assets (intangible or otherwise) in Australia (whether directly or indirectly)

but rather it will only hold the Bitcoin. Accordingly, the transfer of Coin Interests should not attract stamp duty.

However, if stamp duty becomes payable by a Fund in connection with the terms of this PDS or as consequence of, or in connection with the purchase, sale or transfer of the Coin Interests, then the Fund can under the terms of this PDS require a Holder to pay such stamp duty.

11.16 GENERAL TAX GROSS UP

Neither the Responsible Entity nor the Fund is liable for any taxes, duty or other charges payable by you in relation to or in connection with these terms or payable by the Fund or any other person on, as a consequence of, or in connection with, the purchase, sale or transfer of Coin Interests or rights, or any other supply under or in connection with these terms. The Holder must pay all taxes (including GST) and other charges for which the Holder becomes liable in relation to or in connection with these terms.

12. Glossary

21Shares Group means the group of companies owned by Amun Holdings Limited. These include Jura Pentium AG, 21Shares AG and a number of additional subsidiaries.

ACH Clearing Rules mean the rules of the Australian Clearing House Pty Limited ABN 48 001 314 503 as amended or varied from time to time.

Administrator means Jura Pentium AG.

Administration Agreement means the administration deed between the Responsible Entity and the Administrator.

AFS Licence means an Australian Financial Services Licence issued by ASIC.

AML/CTF Act means the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) as supplemented, amended, varied or replaced from time to time.

Assets means in respect of each Coin Interest issued under this PDS, the Bitcoin together with any income, capital, property and rights of the Fund referable to that Coin Interest.

ASX Listing Rules means the ASX Listing Rules published by the ASX, as supplemented, amended, varied or replaced from time to time.

ASX Settlement Rules means the ASX Settlement Operating Rules published by the ASX as supplemented, amended, varied or replaced from time to time.

AUD means the lawful currency of the Commonwealth of Australia.

Australian Prudential Regulation Authority (APRA) means the Australian Prudential Regulation Authority or any Government Agency which replaces it or performs its functions.

Australian Securities and Investments Commission (ASIC) means the Australian Securities and Investments Commission or any Government Agency which replaces it or performs its functions.

Australian Transaction Reports and Analysis Centre (AUSTRAC) means the Australian Transaction Reports and Analysis Centre or any Government Agency which replaces it or performs its functions.

Authorised Participant means a person that:

- (a) has an agreement with the Responsible Entity in relation to making applications to acquire and withdraw interests in the Fund; and
- (b) it is, or has engaged to act on its behalf, a participant (within the meaning of section 761A of the Corporations Act) in relation to a financial market, to acquire and dispose of interests in the Fund.

Authorised Participant Agreement means a written agreement between the Responsible Entity and another person under which such person is appointed to act as an "Authorised Participant", distribution agent or in a substantially similar function in relation to Coin Interests and if such agreement is subject to conditions precedent, provided that such conditions have been satisfied.

Banking Act means the Banking Act 1959 (Cth) as amended or varied from time to time.

Bitcoin means the cryptocurrency known as Bitcoin.

Bitcoin Exchange has the meaning given in section 4.3.

Business Day means a day other than a Saturday or Sunday on which banks are open for general banking business in Sydney.

Cboe means Cboe Australia Pty Ltd or the market operated by it as the context requires.

Cboe Business Day means any day on which the Cboe market is open and any other day notified by Cboe to participants.

Cboe market means the market operated by Cboe.

Cboe Operating Rules means the Cboe Operating Rules published by Cboe as supplemented, amended, varied or replaced from time to time.

Claimable Forked Asset means a Forked Asset which is claimable and able to be sold by the Fund as described in this PDS. Generally this will only be where the Custodian determines to support the relevant Forked Asset and a suitable market for trading in the relevant Forked Asset has been established.

Clearing House Electronic Sub Register System (CHES) means the Clearing House Electronic Sub register System established and operated in accordance with the ACH Clearing Rules.

Coin Delivery Method means a method used by the Responsible Entity to discharge its Delivery Obligations whereby the Bitcoin represented by the Coin Interests to be redeemed is transferred to the redeeming Holder as set out in this PDS and the Trust Deed.

Coin Entitlement means the amount of Bitcoin held in a Separate Trust in respect of a Coin Interest (less applicable fees and expenses). On the first issue date, the Coin Entitlement is equal to 0.0001 Bitcoins.

Coin Interest means an interest in the Fund issued under the terms of this PDS and in accordance with the Trust Deed pursuant to which the Holder has a beneficial interest in the Assets which are held on a Separate Trust.

Coin Sale Method means a method used by the Responsible Entity to discharge its Delivery Obligations whereby the Bitcoin representing the Coin Interests to be redeemed is sold at the prevailing market price on behalf of the redeeming Holder and the resulting Sale Proceeds are transferred to the redeeming Holder as set out in this PDS and the Trust Deed.

Compulsory Redemption Date means the date notified by the Responsible Entity to the Holders (if any) as the date on which all or part of the Coin Interests will be compulsorily redeemed by the Responsible Entity.

Compulsory Redemption Election Fee means the fees and costs charged by the Fund for Holders to change their election as to whether the Coin Delivery Method

12. Glossary

or Coin Sale Method will apply following compulsory redemption. The amount of the Compulsory Redemption Election Fee will be determined by the Responsible Entity from time to time.

Corporations Act means the *Corporations Act 2001* (Cth) as amended or varied from time to time.

Creation means the process by which a Coin Interest is issued under the terms of this PDS and in accordance with the Trust Deed.

Creation Fee means the flat fee payable on creation of a Coin Interest calculated in accordance with this PDS and the Trust Deed.

Creation Request means an offer by an Authorised Participant to the Responsible Entity to subscribe for Coin Interests, being an offer on terms referred to in the form prescribed from time to time by the Responsible Entity and this PDS including through the System.

Custodian means the entity that provides custody and transfer facilities for the Bitcoin under the Custody Agreement as amended or varied from time to time and as at the date of this PDS means Coinbase Custody Trust Company, LLC.

Custody Agreement means the custodial services agreement between the Responsible Entity and the Custodian pursuant to which the Custodian provides custody services to the Sub-Fund.

Delivery Day means a Business Day;

Delivery Obligations means the obligation of the Responsible Entity, on behalf of the Fund, to deliver the Bitcoin to the Holder in accordance with the terms of the Trust Deed.

ETFS 21Shares Bitcoin ETF (the Fund) means the ETFS 21Shares Bitcoin ETF (ARSN 653 122 215).

ETFS 21Shares Wholesale Bitcoin Trust (the Sub-Fund) means the ETFS 21Shares Wholesale Bitcoin Trust.

ETFSC means ETFS Capital Limited, a company incorporated in Jersey, registered number 88370.

ETFS Capital Group means the group of companies of which ETFSC is the parent.

FCA means the Financial Conduct Authority of the United Kingdom or any Government Agency which replaces it or performs its functions.

FMCA means the *Financial Markets Conduct Act 2013* (NZ) as amended or varied from time to time.

Fork means an event where a developer or group of developers split the code base powering Bitcoin into two or more branches of variations of development, resulting in the creation of a new asset which derives from the original blockchain.

Forked Assets means assets acquired by the Fund as a result of a Fork.

Fund means the ETFS 21Shares Bitcoin ETF.

Government or Government Agency means, whether foreign or domestic:

- (a) a government, whether federal, state, territorial or local or a department, office or minister of a government acting in that capacity; or
- (b) a commission, delegate, instrumentality, agency, board, or other government, semi-government, judicial, administrative, monetary or fiscal body, department, tribunal, entity or authority, whether statutory or not, and includes any self-regulatory organisation established under statute or any stock exchange.

GST means a goods and services tax, value added tax, consumption tax or a similar tax or a tax on services only, including without limitation, GST as defined in section 195-1 of the GST Act.

GST Act means the A New Tax System (Goods and Services) Tax Act 1999 (Cth) as amended or varied from time to time.

Holder means the person recorded in the Register as the holder of a Coin Interest (including persons jointly registered).

Holding Lock means, as defined by Cboe from time to time, a facility that prevents securities from being deducted from, or entered into, a holding pursuant to a transfer or conversion.

HSBC means the entity that provides custody and transfer facilities for the interests in the Sub-Fund under the HSBC Custody Agreement as amended or varied from time to time and as at the date of this PDS means The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch. HSBC has no involvement with any custody services relating to Bitcoin or Forked Assets.

HSBC Custody Agreement means the custodial services agreement between the Responsible Entity and HSBC pursuant to which HSBC provides custody services to the Fund.

Liquid or Liquidity has the same meaning as in the Corporations Act.

Management Fee means the fees and costs charged by the Fund for the management of an investment in the Coin Interests, as set out in Sections 8.2 and 8.3 of this PDS.

Minimum Holding means the amount (if any) from time to time determined by the Responsible Entity to be the minimum holding for Coin Interests.

Net Asset Value (NAV), means the net asset value of the Fund calculated as set out in Section 7.1 (*Net Asset Value per Coin Interest*).

Normal Operating Expenses means all expenses incurred by the Responsible Entity including those in connection with the establishment, promotion, and operation of the Fund or in properly performing its duties or exercising its powers that are payable or can be reimbursed out of the Assets pursuant to the Trust Deed.

NYSDFS means the New York State Department of Financial Services.

PDS means this Replacement Product Disclosure Statement dated 12 April 2022.

Redemption means the process of redeeming a Coin Interest under the terms of this PDS and in accordance with the Trust Deed.

Redemption Fee means the flat fee payable on redemption of a Coin Interest calculated in accordance with this PDS and the Trust Deed.

Redemption Request means a written request in the form approved by the Responsible Entity from time to time to be lodged by the Holder with the Responsible Entity which instructs the Responsible Entity how to deal with the Bitcoin and confirms redemption of the Coin Interest.

Register means the register of Holders kept by the Responsible Entity under the Corporations Act.

Registrar Agreement means the Registry Services Agreement dated 31 March 2015 between the Responsible Entity and the Registrar.

Responsible Entity means ETFS Management (AUS) Limited being the responsible entity of the Fund under this PDS and in accordance with the Trust Deed.

Retail Client has the meaning given to it in the Corporations Act.

Sale Proceeds means the actual amount for which the Bitcoin is sold on behalf of the Holder pursuant to the Coin Sale Method less any applicable Taxes and any other fees and costs.

Secured Account means the secure Bitcoin account established in the Responsible Entity's name with the Custodian, pursuant to the Custody Agreement.

Separate Trust means each separate trust constituted in respect of each individual Coin Interest under the Trust Deed.

Settlement Date means the date which is:

- (a) in relation to a particular Creation Request in respect of Coin Interests, either the:
 - (i) the second Cboe Business Day (T+2) following the relevant Cboe Business Day (T); or
 - (ii) the date specified in the Creation Request by the Authorised Participant which is accepted by the Responsible Entity, or

(b) in relation to a particular Redemption Request in respect of Coin Interests, either the:

- (i) the second Cboe Business Day (T+2) following the relevant Cboe Business Day;
- (ii) the date specified by the Holder in the Redemption Request which is accepted by the Responsible Entity; or
- (iii) any Compulsory Redemption Date.

Settlement Rules has the meaning given in the Cboe Operating Rules.

Sub-Fund means ETFS 21Shares Wholesale Bitcoin Trust, a sub-trust of the Fund.

Tax means any tax, income tax, capital gains tax, goods and services tax, withholding tax, stamp, financial institutions, registration and other duties, bank accounts debits tax, import/export tax or tariff and other related taxes, levies, imposts, deductions, interest, penalties and charges imposed or levied by a Government or Government agency.

Transaction Documents means the documents which, in addition to this PDS, set out the terms and conditions relating to the Coin Interests and the holding of the Bitcoin as listed in Section 1.1 (*Overview*).

Trust Deed means the constitution of the Fund as amended or varied from time to time.

USD means the lawful currency of the United States of America.

Valuation Time means a time determined by the Responsible Entity at which the Responsible Entity calculates the Net Asset Value.

References in this PDS to a particular time, unless otherwise stated, are references to the time in Sydney, Australia. Unless the context otherwise requires, references in this PDS to any agreement or documents includes a reference to such agreement or document, as amended, varied, novated, supplemented or replaced from time to time and unless otherwise stated or the context otherwise requires references in this document to any statute or any provision of any statute include a reference to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or any such modification or re-enactment, in each case in force as at the date of this PDS. No documents, including the contents of any websites or web pages referred to in this PDS, form part of this PDS.

13. Corporate Directory

RESPONSIBLE ENTITY

ETFs Management (AUS) Limited
Level 7, 50 King Street
Sydney NSW 2000
Australia

ACN: 150 433 828
AFSL: 466778

Email: infoAU@etfsecurities.com.au
Phone: +61 2 8311 3488

ADMINISTRATOR

Jura Pentium AG
Dammstrasse 19
6300 Zug
Switzerland

CUSTODIAN OF BITCOIN

Coinbase Custody Trust Company, LLC
200 Park Avenue South
Suite 1208
New York, NY 10003
United States

CUSTODIAN OF SUB-FUND INTERESTS

The Hongkong and Shanghai Banking
Corporation Limited,
Sydney Branch
Level 36, Tower 1, International Towers Sydney
100 Barangaroo Avenue
Sydney NSW 2000
Australia

REGISTRAR

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067
Australia

LEGAL AND TAX ADVISERS AS TO AUSTRALIAN LAW

Baker & McKenzie
Tower One – International Towers Sydney
Level 46, 100 Barangaroo Avenue
Sydney NSW 2000
Australia

AUDITORS

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Tower Three
International Towers Sydney
300 Barangaroo Avenue
Sydney NSW 2000
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