

THE ETHER FUND

Financial Statements

December 31, 2021 and 2020

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Independent Auditor's Report

To the Unitholders of
The Ether Fund

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Opinion

We have audited the financial statements of The Ether Fund (hereafter "the Fund"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year ended December 31, 2021 and for the period from commencement of operations on December 10, 2020 to December 31, 2020, and notes to financial statements, including a summary of significant accounting policies, and the schedule of investment portfolio as at December 31, 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021 and 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and for the period from commencement of operations on December 10, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, included in the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Roy.

*Raymond Chabot Grant Thornton LLP*¹

Montréal
February 14, 2022

¹ CPA auditor, CA public accountancy permit no. A125741

The Ether Fund

Statements of Financial Position As at December 31, 2021 and 2020

(Expressed in United States dollars)

	2021	2020
ASSETS		
Current assets		
Cash	\$ 77,369	\$ 295,836
Digital assets at fair value (Note 5)	686,116,868	95,805,798
	<u>686,194,237</u>	<u>96,101,634</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	245,255	99,956
Management fees payable (Note 6)	1,400,331	104,808
	<u>1,645,586</u>	<u>204,764</u>
UNITHOLDERS' EQUITY		
Units	174,181,890	72,954,366
Retained earnings	510,366,761	22,942,504
	<u>684,548,651</u>	<u>95,896,870</u>
	<u>\$ 686,194,237</u>	<u>\$ 96,101,634</u>
Number of redeemable units outstanding	10,830,629	7,240,000
Net assets attributable to holders of redeemable units per unit	\$ 63.20	\$ 13.25

The Ether Fund

Statements of Comprehensive Income

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

	2021	2020
Income		
Net realized gains on sale of digital assets	\$ 13,016,507	\$ –
Net change in unrealized appreciation in fair value of digital assets	494,270,380	23,147,268
Foreign exchange gain on cash	1,462	–
	<u>507,288,349</u>	<u>23,147,268</u>
Expenses		
Management fees (Note 6)	11,092,674	104,808
Custodian fees	1,351,807	19,463
Operating costs (Note 10)	412,797	44,210
Audit fees	68,961	22,193
Administration fees	55,390	13,498
Filing fees	16,155	–
Independent review committee fees and expenses	13,753	592
Legal fees	11,324	–
	<u>13,022,861</u>	<u>204,764</u>
Net income and comprehensive income	<u>\$ 494,265,488</u>	<u>\$ 22,942,504</u>
Weighted average number of redeemable units outstanding during the year	10,471,936	7,240,000
Basic and diluted income per Unit*	\$ 47.20	\$ 3.17

*Based on the weighted average number of units outstanding during the year

The Ether Fund

Statements of Changes in Equity

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

	Class "A" Units		Class "F" Units		Retained earnings	Total unitholders' equity
	Number	\$	Number	\$	\$	\$
Balance as at January 01, 2021	7,240,000	72,954,366	–	–	22,942,504	95,896,870
Net income and comprehensive income	–	–	–	–	494,265,488	494,265,488
Issuance of units	3,797,223	105,391,737	–	–	–	105,391,737
Issuance cost	–	(790,512)	–	–	–	(790,512)
Redemption of units	(206,594)	(3,373,701)	–	–	(6,841,231)	(10,214,932)
Balance as at December 31, 2021	10,830,629	174,181,890	–	–	510,366,761	684,548,651
December 31, 2020						
	Class "A" Units		Class "F" Units		Retained earnings	Total unitholders' equity
	Number	\$	Number	\$	\$	\$
Balance as at December 10, 2020	–	–	–	–	–	–
Net income and comprehensive income	–	–	–	–	22,942,504	22,942,504
Issuance of units	2,794,546	30,041,369	4,445,454	46,508,062	–	76,549,431
Issuance cost	–	(1,892,606)	–	(1,702,459)	–	(3,595,065)
Reclassification of units	4,445,454	44,805,603	(4,445,454)	(44,805,603)	–	–
Balance as at December 31, 2020	7,240,000	72,954,366	–	–	22,942,504	95,896,870

The Ether Fund

Statements of Cash Flows

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

	2021	2020
Cash provided by (used in):		
Operating Activities		
Net income and comprehensive income	\$ 494,265,488	\$ 22,942,504
Adjustments for non-cash items		
Net realized gains on sale of digital assets	(13,016,507)	–
Net change in unrealized appreciation in fair value of digital assets	(494,270,380)	(23,147,268)
Foreign exchange gain on cash	(1,462)	–
Change in balances		
Increase in accounts payable and accrued liabilities	145,299	99,956
Increase in management fees payable	1,295,523	104,808
Proceeds from sale of digital assets	18,103,893	–
Purchase of digital assets	<u>(61,990,000)</u>	<u>(53,599,125)</u>
Cash used in operating activities	<u>(55,468,146)</u>	<u>(53,599,125)</u>
Financing Activities		
Proceeds from redeemable units issued	66,253,661	57,490,026
Redemption of redeemable units	(10,214,932)	–
Issuance costs paid	<u>(790,512)</u>	<u>(3,595,065)</u>
Cash provided by financing activities	<u>55,248,217</u>	<u>53,894,961</u>
(Decrease) Increase in cash during the year	(219,929)	295,836
Foreign exchange gain on cash	1,462	–
Cash, beginning of year	<u>295,836</u>	<u>–</u>
Cash, end of year	\$ <u>77,369</u>	\$ <u>295,836</u>

The Ether Fund

Schedule of Investment Portfolio As at December 31, 2021

(Expressed in United States dollars)

Quantity	Digital Assets owned	Average cost	Fair value	% of net asset value
188,203	Ether	\$ <u>168,699,221</u>	\$ <u>686,116,868</u>	<u>100.23</u>
	Net investments owned	\$ <u>168,699,221</u>	686,116,868	100.23
	Other liabilities, net		<u>(1,568,217)</u>	<u>(0.23)</u>
	Net Assets Attributable to Holders of Redeemable Units		\$ <u>684,548,651</u>	<u>100.00</u>

The Ether Fund

Notes to the Financial Statements

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

1. Fund Organization and Nature of Operations:

The Ether Fund (the "Fund") is a closed-ended investment fund, established as a trust, which was created under the laws of the Province of Ontario pursuant to a declaration of trust dated December 1, 2020 as may be amended from time to time (the "Declaration of Trust"). The address of the Fund's registered office is 1020 - 181 Bay Street, Box 760, Toronto, Ontario, M5J 2T3. The Fund commenced active operations on December 10, 2020. The Class A units of the Fund are listed on the Toronto Stock Exchange ("TSX") (equity symbol: QETH.U).

3iQ Corp. is the trustee, manager, portfolio manager and promoter of the Fund (the "Trustee" and "Manager"). The Manager is responsible for the management and administration of the Fund, including managing and directing the investments of the Fund. The Fund uses Cidel Trust Company as the custodian and Gemini Trust Company, LLC as the sub-custodian to oversee the retention, security and transfer of digital assets for the Fund (the "Custodian" and "Sub-Custodian"). The Custodian and Sub-Custodian are independent of the Manager. The Manager's authorized staff are responsible for coordinating and executing transfers of digital assets between the source of the digital assets, primarily OTC brokers and trading platforms, and the custodial platform in use for the Fund. SGGG Fund Services Inc. is the administrator ("Administrator") of the Fund.

The investment objective of the Fund is to seek to provide unitholders of the Fund with exposure to the digital asset Ether ("ETH"), the daily price movements of the United States dollar price of ETH and the opportunity for long-term capital appreciation. To achieve its investment objectives, the Fund will invest in long-term holdings of ETH, purchased from reputable ETH trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in ETH. The Fund will not speculate with regard to short term changes in ETH prices.

The success of the Fund depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in ETH, including market liquidity and foreign currency exposure.

2. Basis of Presentation:

Basis of accounting

These annual financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as well as the standards governed by the regulation National Instrument 81-106 - Investment Fund Continuous Disclosure.

The annual financial statements were approved and authorized for issuance by the Manager on February 14, 2022.

Functional and presentation currency

These financial statements are presented in United States dollars, which is the Fund's functional currency.

The Ether Fund

Notes to the Financial Statements

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

3. Significant Accounting Policies:

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

(a) Digital assets

Digital assets are an open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Fund holds digital assets generating profit based on the long term appreciation in the price of ETH. The cost basis of the investments in the digital assets recorded by the Fund is the fair value of the digital assets at the time of purchase. The Fund measures digital assets inventory at its fair value less costs to sell, with any change in fair value less costs to sell being recognized in profit or loss in the period of the change on an average cost basis under the caption Net change in unrealized appreciation in fair value of digital assets. Costs to sell digital assets inventory are immaterial and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Digital assets inventory is derecognized when the Fund disposes of the inventory. Net realized gains or losses on sale are determined on an average cost basis and are recognized in profit or loss. Inventory shrinkage arising from denial of access to the economic benefits associated with ownership of digital assets inventory is recognized as an expense in profit or loss on identification.

Refer to Note 4 for further discussion of the Fund's accounting policy in respect of digital assets inventory valuation and the judgment made in determining that such inventory is carried as a commodity.

(b) Financial instruments

Recognition

Financial assets and financial liabilities are recognized on the Statements of Financial Position when the Fund becomes a party to the contractual provisions of the instrument. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs (where applicable).

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

3. Significant Accounting Policies (Continued):

(b) Financial instruments (continued)

Classification

The Fund classifies its financial assets and financial liabilities at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are measured at amortized cost where the business model is to hold the financial asset to collect its contractual cash flows. Financial liabilities are classified to be measured at amortized cost. The Fund reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified. The Fund classifies and measures financial assets and liabilities on initial recognition as described below:

- Cash is classified as, and measured at, amortized cost.
- Accounts payable and accrued liabilities and management fees payable are classified and are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets measured at amortized cost must be depreciated by the amount of expected credit losses. Given the very short maturity of these financial assets and the financial strength of the counterparties involved, the Manager believes that the risk of loss is very low. For this reason, no impairment was recorded for financial assets measured at amortized cost.

Derecognition

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

3. Significant Accounting Policies (Continued):

(c) Fair value

The Fund primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable or can be corroborated by observable market data

Level 3 – unobservable inputs that are supported by no market activity

(d) Net assets attributable to holders of redeemable units per unit

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the year.

(e) Basic and diluted income per unit

The basic and diluted income per unit is based on the net income attributed to each class of units, divided by the weighted average number of units outstanding of that class during the year. Only Class A units were outstanding during the periods.

(f) Foreign currency transaction

The Fund's digital assets may be traded in foreign markets. The proceeds of the sale of those digital assets will be realized in the respective currency. Foreign currency positions are subject to gains and losses due to fluctuations in the respective exchange rates. Foreign currency and purchases of digital assets as well as sales of digital assets are translated into the reporting currency at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses on sales of digital assets are included in the Statements of Comprehensive Income. Unrealized foreign exchange gains and losses on digital assets are included in Net change in unrealized appreciation in fair value of digital assets in the Statements of Comprehensive Income.

(g) Unitholders' equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds, net of tax, if applicable.

When the Fund repurchases its own units for cancellation, the consideration paid in excess of costs is attributed to retained earnings and costs are allocated to the equity of the Fund's unitholders.

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

3. Significant Accounting Policies (Continued):

(h) Income tax

Under the Income Tax Act (Canada), the Fund is defined as a mutual fund trust. All of the Fund's net taxable income for tax purposes (including a sufficient portion of the net realized capital gains) in any period must be distributed to holders of redeemable units to ensure no income tax is payable by the Fund.

The Fund does not record income taxes. Hence, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

4. Critical Accounting Estimates and Significant Judgments:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The following are significant management judgments on applying policies of the Fund that have the most significant effects on the financial statements.

Functional currency

The Manager considers the United States dollar to be the functional currency in which the Fund operates, because it is the currency in which, in its opinion, most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. Moreover, the United States dollar is the currency in which the Fund assesses its performance. The Fund issues and redeems its units in United States dollars.

Units classification

IAS 32 - Financial Instruments: Presentation ("IAS 32") requires that redeemable units or shares of an entity that are equally subordinated but are not identical be classified as a financial liability. The Fund's redeemable units meet the criteria in IAS 32 for classification as equity, as a result of having only one class of units outstanding at the end of the periods.

Investment entity

The Manager of the Fund evaluated the facts and circumstances to determine whether the Fund meets the definition of an investment entity under IFRS 10 – Consolidated Financial Statements.

The Manager concluded that the Fund has more than one investor, the other investors are not related and evaluates its digital assets holdings at their fair value each reporting period. The Manager determined that the Fund does meet the definition of an investment entity, but notes that the Fund does not hold investments that would result in consolidation.

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

4. Critical Accounting Estimates and Significant Judgments (Continued):

Digital assets inventory

The Manager considers that the Fund's digital assets are a commodity. As IFRS do not define the term "commodity", the Manager has considered the guidance in IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors that allows an entity to consider the most recent pronouncements of other standards-setting literature bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of IFRS and the International Accounting Standards Board Conceptual Framework. Under United States generally accepted accounting principles (US GAAP) as set out in the Master Glossary of Accounting Standards Codification, a "commodity" has been defined as "products whose units are interchangeable, are traded in an active market where customers are not readily identifiable and are immediately marketable at quoted prices". Based on this definition and the guidance in IAS 8, the Manager has therefore determined that digital assets are a commodity notwithstanding that digital assets lack physical substance.

The Fund's activities include buying and selling digital assets and, therefore, subsequent to initial recognition, digital assets inventory is held at fair value less costs to sell, reflecting the Fund's purpose of holding such digital assets inventory as a commodity in accordance with IAS 2 - Inventories. As a result of the digital assets protocol, costs to sell digital assets inventory are immaterial and no allowance is made for such costs. Changes in the amount of digital assets inventory based on fair value are included in profit or loss for the years.

Estimation uncertainties

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below:

Fair value of digital assets

Digital assets consist of ETH (see Note 5 for fair value measurement) and are included in current assets.

5. Fair Value Measurement:

The following tables summarize the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of December 31, 2021 and 2020:

December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets				
Ether	\$ –	\$ 686,116,868	\$ –	\$ 686,116,868
	\$ –	\$ 686,116,868	\$ –	\$ 686,116,868

December 31, 2020

	Level 1	Level 2	Level 3	Total
Assets				
Ether	\$ –	\$ 95,805,798	\$ –	\$ 95,805,798
	\$ –	\$ 95,805,798	\$ –	\$ 95,805,798

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

5. Fair Value Measurement (Continued):

Fair value

The digital assets that are held by the Fund are carried at fair value using Level 2 fair value measurements. The fair value of the digital assets as at December 31, 2021 is \$686,116,868 (2020 - \$95,805,798). Due to fluctuations in the trading value of the digital assets, an unrealized gain of \$494,270,380 was recognized for the year ended December 31, 2021 and \$23,147,268 for the period ended December 31, 2020.

The value of ETH in the Fund's portfolio is based on the MVIS CryptoCompare Institutional Ethereum Index ("MVIETH") maintained by MV Index Solutions GmbH ("MVIS"). The MVIETH measures the performance of a digital assets portfolio which invests in ETH, utilizing prices from selected exchanges. The closing value is calculated at 4:00 pm eastern standard time.

The estimated fair values of cash, accounts payable and accrued liabilities and management fees payable approximate their respective estimated carrying values due to the short period to maturity.

6. Related Party Transactions:

Management fees

The Manager of the Fund is responsible for managing and directing the undertaking, operations and affairs of the Fund, including managing and directing the investments. The Fund pays an annual management fee to the Manager amounting to 1.95% of the Fund's net asset value calculated daily and payable monthly, plus applicable taxes, in respect of each of the Class A units and the Class F units of the Fund.

During the year ended December 31, 2021, \$11,092,674 (2020 - \$104,808) in management fees were charged by the Manager. These transactions occurred in the normal course of operations and the fees are measured at exchange value, which is the amount established and agreed to by the related parties.

As at December 31, 2021 and 2020, amounts of \$1,400,331 and \$104,808 respectively were payable to the Manager and disclosed under the caption Management fees payable.

7. Redeemable Units:

The Fund is authorized to issue an unlimited number of redeemable units of an unlimited number of classes, each of which represents an equal and undivided beneficial interest in the net assets and net income of the Fund attributable to such class. Each unit of each class entitles the holder to vote, with one vote for each unit, and to participate equally with respect to any and all distributions made by the Fund. Units of a class may be consolidated and/or reclassified by the Manager.

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

7. Redeemable Units (Continued):

The Class A units of the Fund are available to all investors. The Class F units are designed for fee-based and/or institutional accounts and are not listed on a stock exchange. Class F units in an offering have been reclassified as Class A units on a one-for-one basis upon the closing of the units' offering.

Redemption of units

Annual redemptions:

Units may be redeemed at the option of unitholders on the first business day following the 15th day of June in each year (each, an "Annual Redemption Date"), commencing on June 16, 2022, subject to the Fund's right to suspend redemptions in certain circumstances. Units so redeemed will be redeemed at a redemption price equal to the net asset value per unit on the Annual Redemption Date, less any costs and expenses associated with the redemption, including commissions incurred by the Fund to fund such redemptions. Units must be surrendered for redemption on or before the last business day of the month of May preceding the applicable Annual Redemption Date (the "Annual Cut-Off Date").

Redemption proceeds will be paid in United States dollars on or before the 15th business day following the Annual Redemption Dates, provided that upon receipt of a large redemption request the Manager may exercise its discretion, considering the best interests of all Unitholders, for the Fund to satisfy the redemption in-kind by delivering ETH valued based on the MVIETH price as of 4:00 p.m. on the applicable Annual Redemption Date (the "Annual In-Kind Redemption"). The Manager shall provide notice to the redeeming Unitholder if it determines to proceed with an Annual In-Kind Redemption and upon receiving such notice the redeeming Unitholder may withdraw its notice of redemption.

Monthly redemptions:

Class A units may be surrendered at the option of unitholders at any time for redemption on the first business day following the 15th day of each month (the "Monthly Redemption Date"), subject to certain conditions and, in order to effect such a redemption, the units must be surrendered for redemption no later than 5:00 p.m. (Toronto time) on the last business day of the month prior to the month of the applicable Monthly Redemption Date (the "Monthly Cut-Off Date"). Payment of the proceeds of redemption will be made in United States dollars on or before the 15th business day following the Monthly Redemption Date ("Redemption Payment Date").

Unitholders surrendering a Class A unit for redemption will receive a redemption price (the "Class A Redemption Price") equal to 95% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date less any costs and expenses associated with the redemption, including commissions incurred by the Fund, but the Class A Redemption Price will not be an amount that is more than 95% of the Net Asset Value per Unit as of the Monthly Redemption Date.

Redemption proceeds will be paid in United States dollars, provided that upon receipt of a large redemption request the Manager may exercise its discretion, considering the best interests of all Unitholders, for the Fund to satisfy the redemption in-kind by delivering ETH valued based on the MVIETH price as of 4:00 p.m. on the applicable Monthly Redemption Date (the "Monthly In-Kind Redemption"). The Manager shall provide notice to the redeeming Unitholder if it determines to proceed with a Monthly In-Kind Redemption and upon receiving such notice the redeeming Unitholder may withdraw its notice of redemption.

The Ether Fund

For the year ended December 31, 2021 and the period from commencement of operations on December 10, 2020 to December 31, 2020

(Expressed in United States dollars)

7. Redeemable Units (Continued):

Redemption of units (continued)

A unitholder who desires to exercise redemption privileges must do so by causing the CDS Clearing & Depository Services Inc (“CDS”) Participant through which he or she holds his or her units to deliver to CDS at its office in Toronto, Ontario on behalf of the unitholder, a written notice of the unitholder’s intention to redeem units by no later than 5:00 p.m. (Toronto time) on the applicable Cut-Off Date described above. A unitholder who desires to redeem units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the applicable Cut-Off Date so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the applicable Cut-Off Date.

By causing a CDS Participant to deliver to CDS a notice of the unitholder’s intention to redeem units, the unitholder will be deemed to have irrevocably surrendered his or her units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the unitholder exercising the redemption privilege.

The Manager may suspend the redemption of units or payment of redemption proceeds of the Fund with the prior permission of the securities regulatory authorities, for any period during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Fund’s Administrator to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension.

Upon receipt of a large redemption request the Manager may exercise discretion, considering the best interests of all Unitholders, for the Fund to satisfy the redemption in-kind by delivering ETH valued based on the MVIETH price as of 4:00 p.m. on the applicable Redemption Date. There were no in-kind redemptions for the year ended December 31, 2021.

Distributions

The Fund does not intend to pay distributions to unitholders other than the distribution of net income at year end, as described below.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a “reinvested distribution”. Reinvested distributions by the Fund, net of any required withholding taxes, will be reinvested automatically in additional units at a price equal to the Net Asset Value per unit and the units will be immediately consolidated such that the number of outstanding units following the distribution will equal the number of units outstanding prior to the distribution.

The Ether Fund

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(Expressed in United States dollars)

7. Redeemable Units (Continued):

Distributions (continued):

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its units, including without restriction in connection with a special distribution or in connection with returns of capital.

8. Capital Disclosure:

The capital of the Fund is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to the payment of a proportionate share based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown in the Statements of Changes in Equity. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 9, the Fund endeavours to invest the subscriptions received in ETH while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short term borrowings or disposal of investments where necessary.

The Fund and the Manager entered into agency agreements with certain selling agents pursuant to which the agents agreed to offer the Class A units and Class F units of the Fund for sale to the public, on a best efforts basis, if, as and when issued by the Fund. In consideration for their services in connection with the offering of units, the agents were paid a fee of up to a maximum of 5.5% per Class A unit and up to a maximum of 3.5% per Class F unit out of the proceeds of the Offering. In addition, the expenses of the offerings were paid out of the gross proceeds by the Fund. These issuance costs are recognized as issuance costs in the Statements of Changes in Equity.

In addition, the Fund has paid the expenses incurred in connection with the offering. The Manager is also entitled to reimbursement of monies expended in the creation and marketing of the Fund, up to a maximum of 1.5% of the total proceeds raised through the Fund opening.

The Fund completed its initial public offering ("IPO") on December 10, 2020, resulting in the listing of 7,240,000 Class A units on the TSX. In connection with the IPO, the Fund issued 2,794,546 Class A units at a price of \$10.75 per Class A unit and 4,445,454 Class F units at a price of \$10.46 per Class F unit. Immediately upon closing of the IPO, the Class F units were reclassified as Class A units.

On February 24, 2021 the TSX accepted the Fund's notice of intention to make a Normal Course Issuer Bid ("NCIB"), to permit the Fund to repurchase, at its discretion, up to 1,018,610 Class A units ("Units") (representing approximately 10% of the public float as of February 28, 2021) in the open market in accordance with the rules and policies of the TSX. Units purchased by the Fund under the NCIB will be cancelled. The program commenced on March 1, 2021 and will terminate on February 28, 2022, or on such earlier date as the Fund purchases the maximum number of Units permitted under the NCIB. As at December 31, 2021, 206,400 Units (aggregate purchase price being \$10,317,082) were purchased for cancellation under the NCIB.

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(Expressed in United States dollars)

8. Capital Disclosure (Continued):

On March 1, 2021 the Fund established an at-the-market equity program (“ATM Program”) to allow the Fund to issue Units having an aggregate sale price of up to \$150,000,000 to the public, at the discretion of the Manager. Any Units issued will be sold at the prevailing market price at the time of sale through the TSX or any other marketplace in Canada on which the Units are listed, quoted or otherwise traded. The ATM Program will be effective until March 10, 2023 unless terminated prior to such date by the Fund. As of December 31, 2021, the Fund had issued 740,648 Units at an average price of \$38.62 per Unit for net proceeds of \$28,149,733 (being gross proceeds of \$28,595,244 less \$445,511 in agents' fees payable in respect of such sales).

During the year ended December 31, 2021, the Fund issued an aggregate of 3,056,575 Units at a price between \$18.07 and \$34.87 per Unit for a net proceeds of \$76,553,640 (being gross proceeds of \$76,796,493 less \$242,852 in issuance costs comprising of offering costs and sales charges) pursuant to private placements.

Subscription of units

In addition to the payment in cash, the Fund accepts ETH in respect of subscriptions. During the year, the Fund received 27,650 (2020 - 33,308) ETH as a subscription for a value of \$39,138,077 (2020 - \$19,059,400). In exchange, the Fund issued 1,558,055 (2020 - 1,838,744) Units.

9. Digital Asset Risk:

Management of digital asset risks

The Fund is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in a single asset, namely ETH. Investing in ETH is highly speculative and volatile. The investment objective of the Fund is to track the market price of ETH, less the Fund's liabilities and expenses, by investing the assets of the Fund in ETH. As ETH prices rise, the Fund should achieve those gains. However, there can be no assurance that the Fund matches the gains in ETH. The Fund does not employ leverage as part of its investment strategy.

To the extent that private keys for ETH addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Fund may be unable to access the ETH held in the associated address and the ETH network will not be capable of restoring the private key. The risk of losing private keys is mitigated by the services provided by the Sub-Custodian to maintain the safety of the private keys.

The processes by which ETH transactions are settled are dependent on the ETH peer-to-peer network and, as such, the Fund is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of ETH.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Currently, the Fund has its investment highly concentrated in a single asset, ETH, which is the mandate of the Fund. The Fund tracks the market price of ETH, less the Fund's liabilities and expenses, by investing the assets of the Fund in ETH.

The Ether Fund

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(Expressed in United States dollars)

9. Digital Asset Risk (continued):

The Custodian and Sub-Custodian

The ETH owned by the Fund are held by a highly reputable company in the industry that specializes in providing secure ETH storage platforms. The Custodian and Sub-Custodian oversee the retention, security and transfer of ETH for the Fund. The Custodian and Sub-Custodian are independent of the Manager. The Custodian and Sub-Custodian are responsible for (i) establishing and maintaining one or more digital wallets and one or more cold storage vault accounts, which are specialized digital wallets for which private keys are maintained on computers or other devices that are not connected to the Internet or any other computer network, (ii) keeping the private keys that provide access to the digital wallets and vault accounts secure, and (iii) facilitating the transfer of ETH in accordance with the Manager's instructions.

Security risk

ETH are controllable only by the possessor of both the unique public key and private key relating to the digital wallet in which the ETH are held. While the ETH network requires a public key relating to a digital wallet to be published when used in a spending transaction, if keys are lost or destroyed, this could prevent trading of the ETH.

Security breaches, computer malware and computer hacking attacks have been a prevalent concern in the ETH exchange market since the launch of the Ethereum Network. Any security breach caused by hacking could cause loss of ETH investments.

Ethereum network risk

The open-source structure of the Ethereum Network protocol means that the core developers of the Ethereum Network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Ethereum Network protocol. A failure to properly monitor and upgrade the Ethereum Network protocol could damage the Ethereum Network.

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(Expressed in United States dollars)

10. Expenses:

In addition to the management fees, and any debt servicing costs, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and will include, without limitation: fees and expenses payable to the independent review committee of the Fund; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in ETH; fees payable to the registrar and transfer agent; fees payable to any custodians and/or sub-custodians for the assets of the Fund as well as the fees of the Fund's Administrator and other service providers; licensing fee payable to MVIS to license the MVIETH; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the units of the Fund may become listed or quoted; the preparation and supervision costs relating to the calculation and publication of the net asset value; costs and expenses of preparing, printing, and mailing financial and other reports to unitholders, material for unitholders' meetings and securities regulatory filings; costs and expenses of communication with unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and provincial/territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund. The Manager may, from time to time, in its sole discretion, pay a portion of any ongoing expenses of the Fund which would otherwise be payable by the Fund.

11. Indemnification of the Manager:

Under the terms of the Declaration of Trust, the Manager shall exercise its powers and discharge its duties hereunder honestly and in good faith in the best interest of the unitholders of the Fund and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent investment fund manager would exercise in comparable circumstances. The Manager shall not be liable to the Fund or to any unitholder for any loss or damage relating to any matter regarding the Fund, including any loss or diminution in the value of the Fund property, except to the extent that the Manager has failed to meet the standard of care set forth above or otherwise failed to comply with its obligations under the Declaration of Trust.

The Manager, its director, officers, employees and agents shall be indemnified and saved harmless by the Fund from all claims in relation to the execution of the duties of the Manager other than any such claims and costs resulting from willful misconduct, bad faith, negligence on the part of the Manager or the failure to meet its standard of care.

12. Short Term Loan:

On December 10, 2020, the Fund entered into a master loan agreement that allows the Fund to borrow digital currency or United States dollars. The Fund may use this credit facility to acquire bitcoin in anticipation of and prior to any follow on offering of units by the Fund in an amount not to exceed 25% of the Net Asset Value of the Fund. When the Fund uses the credit facility to acquire bitcoin, the lender also acts as the agent of the transaction. As such the lender purchases the bitcoin on behalf of the Fund, making the transaction cashless for the Fund until the repayment of the loan. During the year ended December 31, 2021, the Fund borrowed \$30,010,000 to secure the price of ETH in effect as of the investor's trade date. The loan bears interest at 14.6% per annum, payable on the loan maturity date. On April 21, 2021, the Fund reimbursed in full the short term loan including \$33,376 in interest for the year ended December 31, 2021.

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13. Subsequent Events:

Subsequent to December 31, 2021, 76,200 Units (aggregate purchase price being \$3,351,840) had been purchased for cancellation under the NCIB.