THE ETHER FUND

Financial Statements

December 31, 2023 and 2022

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Financial Statements

For the years ended December 31, 2023 and 2022

Independent Auditor's Report

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To the Unitholders of
The Ether Fund

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, 2023 and 2022, and the statements of comprehensive income (loss), the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information, and the schedule of investment portfolio as at December 31, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

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 included in Management's Report of Fund Performance, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will 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 Management's 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 IFRS Accounting Standards, 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
March 28, 2024

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[1] CPA auditor, public accountancy permit no. A125741

THE ETHER FUND

Statements of Financial Position
As at December 31, 2023 and 2022

(Expressed in United States dollars)

		2023		2022
ASSETS				
Current assets				
Cash	$	22,772	$	41,110
Digital assets at fair value (Note 5)		162,907,074		114,254,070
		162,929,846		114,295,180
LIABILITIES				
Current liabilities				
Management fees payable (Note 6)		290,995		219,980
Staking service fees payable (Note 6)		128,629		–
Accounts payable and accrued liabilities		48,553		65,067
		468,177		285,047
UNITHOLDERS' EQUITY				
Units		67,134,005		89,663,386
Retained earnings		95,327,664		24,346,747
		162,461,669		114,010,133
	$	162,929,846	$	114,295,180
Number of redeemable units outstanding		4,278,182		5,657,805
Net assets attributable to holders of redeemable units per unit	$	37.97	$	20.15

The accompanying notes are an integral part of these financial statements.

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Statements of Comprehensive Income (Loss)
For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Income		
Net realized gains on sale of digital assets	$ 24,027,330	$ 77,613,824
Net change in unrealized appreciation (depreciation) in fair value of digital assets	70,696,073	(488,833,158)
Foreign exchange loss on cash	(1,846)	(674)
Revenue earned from staking activities	523,779	–
Other income	7,679	–
	95,253,015	(411,220,008)
Expenses (Note 10)		
Management fees (Note 6)	3,099,923	6,510,500
Operating costs	233,950	312,158
Custodian fees	207,152	836,925
Staking service fees (Note 6)	181,358	–
Legal fees	107,539	13,534
Audit fees	64,783	54,669
Administration fees	46,195	46,325
Unitholder reporting costs	16,631	17,861
Independent review committee fees and expenses	7,308	12,689
	3,964,839	7,804,661
Net income (loss) and comprehensive income (loss)	$ 91,288,176	$ (419,024,669)
Weighted average number of redeemable units outstanding during the year	4,850,571	7,829,156
Basic and diluted income (loss) per unit*	$ 18.82	$ (53.52)

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

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Statements of Changes in Equity
For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

December 31, 2023	**Class "A" Units**		**Retained earnings**	**Total unitholders' equity**
	Number	**$**	**$**	**$**
Balance as at January 1, 2023	5,657,805	89,663,386	24,346,747	114,010,133
Net income and comprehensive income	–	–	91,288,176	91,288,176
Redemption of units	(1,379,623)	(22,529,382)	(20,307,258)	(42,836,640)
Balance as at December 31, 2023	4,278,182	67,134,004	95,327,665	162,461,669

December 31, 2022	**Class "A" Units**		**Retained earnings**	**Total unitholders' equity**
	Number	**$**	**$**	**$**
Balance as at January 1, 2022	10,830,629	174,181,890	510,366,761	684,548,651
Net (loss) and comprehensive (loss)	–	–	(419,024,669)	(419,024,669)
Distribution of capital gains	–	–	(319,057)	(319,057)
Reinvestment of distributions	–	–	319,057	319,057
Redemption of units	(5,172,824)	(84,518,504)	(66,995,345)	(151,513,849)
Balance as at December 31, 2022	5,657,805	89,663,386	24,346,747	114,010,133

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Statements of Cash Flows
For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Cash provided by (used in):		
Operating Activities		
Net income (loss) and comprehensive income (loss)	$ 91,288,176	$ (419,024,669)
Adjustments for non-cash items		
Net realized (gains) on sale of digital assets	(24,027,330)	(77,613,824)
Net change in unrealized (appreciation) depreciation in fair value of digital assets	(70,696,073)	488,833,158
Foreign exchange loss on cash	1,846	674
Revenue earned from staking activities	(523,779)	–
Change in non-cash balances		
Increase (decrease) in management fees payable	71,015	(1,180,351)
Increase in staking service fees payable	128,629	–
(Decrease) in accounts payable and accrued liabilities	(16,514)	(180,188)
Proceeds from sale of digital assets	46,594,178	15,721,259
Cash provided by operating activities	42,820,148	6,556,059
Financing Activities		
Redemption of redeemable units	(42,836,640)	(6,545,874)
Issuance costs paid	–	(45,770)
Cash used in financing activities	(42,836,640)	(6,591,644)
Decrease in cash during the year	(16,492)	(35,585)
Foreign exchange loss on cash	(1,846)	(674)
Cash, beginning of year	41,110	77,369
Cash, end of year	$ 22,772	$ 41,110

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Schedule of Investment Portfolio
As at December 31, 2023

(Expressed in United States dollars)

Quantity	Digital Assets owned	Average cost	Fair value	% of net asset value
70,640	Ethereum	$ 63,626,512	$ 162,907,074	100.27
	Net investments owned	**$ 63,626,512**	162,907,074	100.27
	Other liabilities, net		(445,405)	(0.27)
	Net Assets Attributable to Holders of Redeemable Units		**$ 162,461,669**	**100.00**

The accompanying notes are an integral part of these financial statements.

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 2700 – 161 Bay St, Toronto, Ontario, M5J 2S1. 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 symbols: QETH.UN and 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 Tetra Trust Company as the custodian and Coinbase Custody 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 (“ether”), the daily price movements of the United States dollar price of ether and the opportunity for long-term capital appreciation. To achieve its investment objectives, the Fund will invest in long-term holdings of ether, purchased from reputable ether trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in ether. The Fund will not speculate with regard to short-term changes in ether prices.

The success of the Fund will be influenced by a number of risk factors associated with investments in ether, including market liquidity and foreign currency exposure.

2. Basis of Presentation:

Basis of accounting

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

These financial statements were approved and authorized for issuance by the board of directors of the Manager on March 29, 2024.

Functional and presentation currency

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

3. Material Accounting Policy Information:

The accounting policies set out below have been applied consistently to the years 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 ether. 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 year of the change on an average cost basis under the caption Net change in unrealized appreciation (depreciation) 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 – Digital assets inventory 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).

Classification

The Fund classifies its financial assets, cash, at cost. The Fund classifies its financial liabilities, accounts payable and accrued liabilities and management fees payable at cost and staking service fees payable at fair value. The Fund reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

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

3. Material Accounting Policy Information (Continued):

(b) Financial instruments (Continued)

involved, the Manager believes that the risk of loss is very low. For this reason, no impairment was recorded for financial assets measured at cost.

Derecognition

A financial asset is derecognized when 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.

(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 (loss) per unit

The basic and diluted income (loss) per unit is based on the net income (loss) 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 years.

(f) Foreign currency translation

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 (Loss). Unrealized foreign exchange gains and losses on digital assets are included in Net change in unrealized appreciation (depreciation) in fair value of digital assets in the Statements of Comprehensive Income (Loss).

3. Material Accounting Policy Information (Continued):

(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.

(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 year 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.

(i) Revenue recognition

The Fund earns staking revenue by delegating digital assets (referred to as a "Delegator") to be utilized by third parties ("Validators"), who employ Proof-of-Stake ("PoS") technology to provide blockchain verification services to selected blockchain networks in order to earn staking rewards. The gross staking yields are based on a predetermined formula, specific to each blockchain network, and the timing of the services. As a Delegator, the Fund is considered to be an agent in the transaction (with the Validator being the principal) and recognizes staking rewards it receives net of fees charged by the Validator.

Revenue is recognized when services have been performed and collection is probable, which is typically when staking rewards are received into the Fund's custody.

Revenue from staking rewards are measured based on the fair value of the digital assets received, determined using the EBR on the date that the staking rewards are received into the Fund's custody.

(j) Accounting standards issued but not yet applied

The Fund has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than December 31, 2023. These updates are not expected to have a significant impact on the Fund and are therefore not discussed herein.

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.

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

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.

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.

Digital assets inventory

The Manager considers that the Fund’s digital assets are a commodity. As IFRS does not define the term “commodity”, the Manager has considered the guidance in IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”) 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. 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 year.

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

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 ether (see Note 5 for fair value measurement) and are included in current assets.

5. Fair Value Measurement:

The digital assets that are held by the Fund are carried at fair value using Level 2 fair value measurements.

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

The fair values of cash, accounts payable and accrued liabilities, management fees payable and staking fees payable approximate their respective 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.

Management fees charged by the Manager occurred in the normal course of operations and are measured at exchange value, which is the amount established and agreed to by the related parties.

Management fees payable to the Manager are disclosed under the caption Management fees payable in the Statements of Financial Position.

Staking service fees

The Manager of the Fund is entitled to receive 23.25% of the revenue earned from the staking activities as a staking service fee. The staking service fees shall be calculated and paid monthly, in arrears, plus applicable taxes, and is intended to compensate the Manager for the additional work required to administer the staking of ether held in the Fund. The staking service fees are payable in ether.

The Manager's staking service fees for the year ended December 31, 2023, was 74.58 ether valued at $139,391. Staking service fees payable to the Manager as at December 31, 2023 are 42.87 ether valued at $98,863 and is included under the caption Staking service fees payable in the Statements of Financial Position.

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 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 ether valued based on the EBR 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

7. Redeemable Units (Continued):

Fund to satisfy the redemption in-kind by delivering ether valued based on the EBR 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 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.

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.

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.

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 ether while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of digital assets where necessary.

The following tables summarize the capital disclosures of the Fund for the year ended December 31, 2023, and the years since its inception:

(Expressed in United States dollars)

8. Capital Disclosure (Continued):

	2020		2021		2022		2023	
	Units	**$**	**Units**	**$**	**Units**	**$**	**Units**	**$**
Class A								
Initial public offering	2,794,546	28,148,764	–	–	–	–	–	–
Reclassification of Class F units	4,445,454	44,805,602	–	–	–	–	–	–
Private placements	–	–	3,056,575	76,553,642	–	–	–	–
ATM	–	–	740,454	28,149,733	–	–	–	–
NCIB	–	–	(206,400)	(10,317,082)	(102,100)	(4,622,731)	–	–
Monthly redemptions	–	–	–	–	–	–	–	–
Annual redemptions	–	–	–	–	(1,493,174)	(28,181,569)	(37,426)	(1,070,691)
Annual conversion	–	–	–	–	(3,577,550)	(118,709,549)	(1,342,197)	(41,765,949)
	7,240,000	72,954,366	3,590,629	94,386,293	(5,172,824)	(151,513,849)	(1,379,623)	(42,836,640)

	2020	
	Units	**$**
Class F		
Initial public offering	4,445,454	46,508,062
Reclassification of units into Class A units	(4,445,454)	(46,508,062)
	–	–

New issues

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.

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 Class A units on the TSX. Immediately upon closing of the IPO, the Class F units were reclassified as Class A units.

ATM

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 were 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 was terminated on March 10, 2023.

8. Capital Disclosure (Continued):

NCIB

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 (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 were cancelled. The program commenced on March 1, 2021 and terminated on February 28, 2022.

On February 24, 2022, the TSX accepted the Fund's notice of intention to make a NCIB, to permit the Fund to repurchase, at its discretion, up to 1,072,590 Class A units (representing approximately 10% of the public float as of February 23, 2022) in the open market in accordance with the rules and policies of the TSX. Units purchased by the Fund under the NCIB were cancelled. The program commenced on March 1, 2022 and terminated on February 28, 2023.

On February 27, 2023, the TSX accepted the Fund's notice of intention to make a NCIB to permit the Fund to repurchase, at its discretion, up to 481,436 units (representing approximately 10% of the public float as of February 17, 2023) in the open market in accordance with the rules and policies of the TSX. Units purchased by the Fund under the NCIB, will be canceled. The program commenced on March 1, 2023 and will terminate on February 29, 2024, or on such earlier date as the Fund purchases the maximum number of units permitted under the NCIB.

Conversions

On April 18, 2022, and April 14, 2023, the Fund announced that unitholders had the voluntary option to convert all or part of their units into units of 3iQ Ether ETF as an additional option in connection with the annual redemption.

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 ether. Investing in ether is highly speculative and volatile. The investment objective of the Fund is to track the market price of ether, less the Fund's liabilities and expenses, by investing the assets of the Fund in ether. As ether prices rise or fall, the Fund should achieve those gains or suffer those losses. However, there can be no assurance that the Fund matches the gains in ether. The Fund does not employ leverage as part of its investment strategy.

To the extent that private keys for ether addresses are lost, destroyed or otherwise compromised and no backup of the private keys is accessible, the Fund may be unable to access the ether held in the associated address and the ether network will not be capable of restoring the private keys. 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 ether transactions are settled are dependent on the ether 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 ether.

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, ether, which is the mandate of the Fund.

9. Digital Asset Risk (Continued):

The Custodian and Sub-Custodian

The ether owned by the Fund are held by a highly reputable company in the industry that specializes in providing secure ether storage platforms. The Custodian and Sub-Custodian oversee the retention, security and transfer of ether 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 ether in accordance with the Manager's instructions.

Security risk

Ether are controllable only by the possessor of both the unique public key and private key relating to the digital wallet in which the ether are held. While the ether 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 ether.

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

Staking risk

Illiquidity during bonding/unbonding periods

The Ethereum Network imposes "bonding" periods on newly staked ether during which staked ether is ineligible for rewards. Once staking is initiated, a validator enters a queue to become "activated," which takes approximately seven and a half hours. Once initiated, the network acknowledges the ether to be deposited to the staking smart contract. Once completed, the ether deposit is officially accessible to the Beacon Chain and remains in a "pending state" until activated. Since only four validators are activated per epoch, activation may take days or weeks to complete. During the bonding period, the staked assets of the Fund will not be eligible to receive any staking rewards and may not be withdrawn. As at December 31, 2023, the Fund had staked 68,800 ether.

During the unbonding period, the Manager will not be able to withdraw or liquidate the staked ether. The illiquidity of ether during the unbonding period may prevent the Fund from realizing the fiat value of the staked ether and rewards earned on staked ether during the unbonding period. Given the volatility of ether, the value of the staked ether at the time of completion of the unbonding period may be significantly less than the value of the ether at the time a decision is taken to withdraw staked ether. Such delay may adversely affect the business and liquidity of the Fund, and the value of the units.

9. Digital Asset Risk (Continued):

Reliance on third-party vendors

Unitholders will be exposed to the risk of loss of staked ether if any third-party service provider selected to act as a validator fails to operate its network node(s) in accordance with the rules of the Ethereum Network, as ether may be "slashed" or inactivity penalties may be applied if the validator node "double signs" or experiences extended downtime. The Fund may also be prevented from obtaining rewards in respect of periods during which the validator is inactive on the Ethereum Network. The Manager intends to mitigate these risks by conducting due diligence on the third-party service providers it selects to act as validators.

Slashing and missed rewards

The Ethereum Network dictates requirements for participation in the relevant decentralized governance activity and may impose slashing penalties if the relevant activities are not performed correctly, such as if the validator acts maliciously on the network. If any service provider selected to act as validator for the staking activities is slashed by the Ethereum Network, a variable amount of assets of the Fund may be confiscated, withdrawn or burnt by the network.

Uncertain tax consequences

The application to the Fund of income, sales and other taxes to staking rewards is currently unclear as Canadian tax authorities have not yet published any guidance relating to this matter. As such, no assurance can be given that the Canadian tax authorities will agree with the position taken by the Fund in connection with its staking activities. Any contrary position taken by Canadian tax authorities may materially and adversely impact the Fund.

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 expenses to be borne by the Fund may 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 ether; 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 EBR; expenses relating to the monitoring of the relationships with the Custodian and Sub-Custodian and other organizations serving the Fund; 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.

10. Expenses (Continued):

For the year ended December 31, 2023, fees payable to Raymond Chabot Grant Thornton LLP ("RCGT") for the audit of the financial statements of the Fund was $4,729 and fees paid were $49,834. There were no other fees payable to RGCT.

11. Indemnification of the Manager:

Under the terms of the Declaration of Trust, the Manager shall exercise its powers and discharge its duties thereunder 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. Subsequent Events:

On December 28, 2023, Monex Group, Inc., a Japanese financial services public company, announced that it will acquire the majority stake in 3iQ Digital Holdings Inc., the parent company of the Manager. The closing date is not yet determined as the share acquisition is subject to regulatory approval.

The Annual Cut-Off Date for the Fund's annual redemption was changed from on or before the last business day of the month of May to on or before May 15th of each year.