

MONOCHROME ETHEREUM ETF

ASRN 661 386 198.

FINANCIAL REPORT
FOR THE PERIOD FROM 9 August 2022 TO 31 DECEMBER 2023

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MONOCHROME ETHEREUM ETF
RESPONSIBLE ENTITY REPORT
FOR THE PERIOD FROM 9 AUGUST 2022 TO 31 DECEMBER 2023

The Directors of the Responsible Entity, Vasco Trustees Limited present their report on the Monochrome Ethereum ETF ('the Fund') for the period from 9 August 2022 to 31 December 2023.

1. Directors of Vasco Trustees Limited for the reporting period

The names of Directors of the Responsible Entity in office at any time during the period from 9 August 2022 to 31 December 2023 were:

Craig Mathew Dunstan

Jonathan William Martin

Reginald Bancroft

2. Principal Activities

The Fund is a registered managed investment scheme which invests in Ethereum. Ethereum Interests confer on the Holder a beneficial interest in an amount of Ethereum referred to as the Ethereum Allocation. Under the Fund's Constitution, a separate trust is established for each Ethereum Interest. Each Ethereum Allocation represents the beneficial interest in Ethereum that is held by the Responsible Entity in a bare trust for the relevant Holder.

The Fund has been established to provide investors with an accessible way of gaining exposure to Ethereum without being responsible for the technical intricacies associated with acquiring, holding and designing a secure storage solution. The Fund is backed by investments in Ethereum. Under the Fund's Constitution, the Responsible Entity is required to hold the actual Ethereum that is the subject of the Separate Trusts. The holding of the Ethereum is outsourced to third party Gemini Trust Company LLC. The price of Ethereum Interests will change as the market value of the Fund's assets rises or falls in line with the main underlying assets of the Fund. The Reference Guide, dated Feb 10, 2023, details processes in detail.

The Fund has not commenced operations as at December 31 2023.

3. Operating Results

The operating profit of the Fund for the period from 9 August 2022 to 31 December 2023 was nil.

4. Review of Operations

Since inception the Fund has issued nil Ethereum Interests.

5. Ethereum Interest Prices

The price at which an investor can apply for or redeem may include an allowance for actual or estimated transaction costs incurred in selling or buying assets of the Fund to meet the withdrawal or application (a "sell-spread" or "buy-spread"). The sell-spread or buy spread is a cost to the withdrawing or applying investor, additional to the management costs and will be reflected in the withdrawal or application price. A sell-spread of 0.25% will apply for withdrawals using the Ethereum Sale Method. A sell-spread will not apply to the Ethereum Delivery Method (however this method will be subject to a $500 Redemption Fee). A buy-spread of 0.25% will apply for applications.

The availability and timing of redemptions is subject to the terms of the Fund's Constitution.

6. Distributions Paid or Recommended

The Fund provides an indirect method of investing in Ethereum for investors who do not wish to manage the risks of direct ownership and custody. The Fund aims to track the performance of Ethereum, while allowing investors to apply for and redeem Ethereum Interests directly with the Fund.

No dividends or distributions are expected to be paid.

7. Applications Held

On 31 December 2023, the value of pending Ethereum Interest allocations was nil.

8. Redemption Arrangements

Investors can redeem Ethereum Interests by completing a Redemption request by nominating the Ethereum Delivery Method or the Ethereum Sale Method. The Ethereum Delivery Method will be subject to a $500 Redemption Fee. Redemption Requests will be processed as soon as reasonably practicable.

9. Options

No options over issued interests in the Fund were granted during or since the end of the period and there were no options outstanding at the date of this report. The Directors and executives of the Responsible Entity hold no options over interests in the Fund.

10. Proceedings on Behalf of the Fund

No person has applied to the court for leave to bring proceedings on behalf of the Fund, or to intervene in any proceedings to which the Fund is a party, for the purpose of taking responsibility on behalf of the Fund for all or any part of their proceedings.

11. Value of Scheme Assets

The gross asset value of the Fund at the end of the period was nil. The net asset value at the end of the period was nil.

12. Significant Changes in State of Affairs

Apart from those matters referred to in the previous sections of this Report, there have been no other significant changes to the state of affairs of the Fund during the period.

13. After Balance Date Events

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years other than as disclosed in this report.

14. Future Developments

There are no future developments to report on which are not otherwise disclosed in this report.

15. Indemnifying Officers or Auditor

During or since the end of the period, the Responsible Entity has paid insurance premiums to insure each of the aforementioned Directors as well as officers of the Responsible Entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of the Responsible Entity, other than conduct involving a willful breach of duty in relation to the Responsible Entity. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Responsible Entity has not otherwise, during or since the end of the period, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred as such an officer or auditor.

16. Fees, Commissions or Other Charges by the Responsible Entity, Investment Manager or Related Parties

The Investment Manager is entitled to be paid out of the Fund a Management Fee of up to 1.35% per annum of the net asset value. No Management fee was incurred or paid by the Fund to Monochrome Asset Management Pty Ltd for the period. The Management fees and costs incorporate the Responsible Entity's and Investment Manager's fees, estimated fund expenses and an estimate of indirect costs (if applicable). The Responsible Entity's fees are paid directly by the investment manager.

17. Ethereum Interests held by the Responsible Entity, Investment Manager or Related Parties

On 31 December 2023, the Responsible Entity and their related parties held no Ethereum interests in the Fund in their own right.

On 31 December 2023, no related party owns Ethereum Interests.

18. Interests in the Fund

The movement of Ethereum Interests on issue in the Fund during the period is set out in Note 2 to the financial statements. The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 1 to the financial statements.

19. Environmental Issues

The operations of the Fund are not subject to any particular or significant environmental regulations under a law of the Commonwealth or of a State or Territory in Australia.

Signed in accordance with a resolution of the Board of Directors of Vasco Trustees Limited by:

Craig Dunstan

Craig Dunstan

Director

28 March 2024

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200 George Street
Sydney NSW 2000 Australia
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Building a better working world

Auditor's independence declaration to the Ethereum Interest holders of Monochrome Ethereum ETF

As lead auditor for the audit of the financial report of Monochrome Ethereum ETF (the "Fund") for the financial period 9 August 2022 to 31 December 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Elliott Shadforth
Partner
28 March 2024

MONOCHROME ETHEREUM ETF
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM 9 AUGUST 2022 TO 31 DECEMBER 2023

	Notes	2023
		$
Investment income		
Net gains / (losses) on Ethereum at fair value through profit or loss		-
Total investment income		**-**
Expenses		
Management fees		-
Other expenses		-
Total operating expenses		**-**
Operating Profit		**-**

The accompanying notes form part of these financial statements

MONOCHROME ETHEREUM ETF
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023
		$
Current assets		
Ethereum at fair value through profit or loss		-
Cash and cash equivalents		-
Total current assets		**-**
Total assets		**-**
Liabilities		
Management fees payable		-
Total liabilities		**-**
Net assets attributable to Ethereum Interest holders		**-**

The accompanying notes form part of these financial statements

MONOCHROME ETHEREUM ETF
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 9 AUGUST 2022 TO 31 DECEMBER 2023

Under Australian Accounting Standards, net assets attributable to Ethereum Interest holders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the period.

The accompanying notes form part of these financial statements

MONOCHROME ETHEREUM ETF
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2023

	Notes	2023 $
Cash flows from operating activities		
Other income received		-
Payment of other operating expenses		-
Payment for purchase of Ethereum		-
Receipts from sale of Ethereum		-
Net cash provided by operating activities		**-**
Cash flows from financing activities		
Proceeds from issue of Ethereum Interests		-
Payment for redemption of Ethereum Interests		-
Net cash provided by financing activities		**-**
Net foreign currency (losses) on settlement of Ethereum		-
Net increase in cash and cash equivalents		**-**
Cash and cash equivalents at the beginning of period		-
Cash and cash equivalents at the end of period		**-**

The accompanying notes form part of these financial statements

MONOCHROME ETHEREUM ETF
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 9 AUGUST 2022 TO 31 DECEMBER 2023

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial report is for the Monochrome Ethereum ETF ('the Fund'). The Fund is a registered managed investment scheme established and domiciled in Australia. The Responsible Entity of the Fund is Vasco Trustees Limited. The Investment Manager is Monochrome Asset Management Pty Ltd.

Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting interpretations) adopted by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report of the Fund complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

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(a) Statement of compliance

These general-purpose financial statements have been prepared in compliance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The Fund is a for-profit entity for the purposes of preparing these financial statements.

The financial statements were approved by the Board of Directors of the Responsible Entity on 28 March 2024.

(b) Basis of measurement

The financial report is prepared on the historical cost basis except Investments at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements requires the Directors of the Responsible Entity to undertake a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(e) Investments in Ethereum

Classification and Recognition

The responsible entity considers it appropriate to classify and measure the Fund's investments in Ethereum in accordance with IAS 2, Inventory ("IAS 2"). In classifying and measuring Ethereum held by the Fund, the responsible entity is required to make significant judgements in determining the most appropriate classification and considers it appropriate to classify and measure the Fund's investment in Ethereum in accordance with IAS 2.

Measurement

Investments in Ethereum are measured at fair value less cost to sell.

Subsequent to initial recognition, investments in Ethereum are measured at fair value with changes in their fair value recognised in the statement of Profit or Loss and Other Comprehensive Income.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments in Ethereum (continued)

Fair Value Measurement

AASB describe fair value as the price that each Fund would receive upon selling an asset or paid to transfer a liability in an orderly transaction between market participants as at the measurement date. It established a three-tier hierarchy of inputs to be used when determining fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk — for example, the risk inherent in a particular valuation technique used to measure fair value (such as a pricing model) and/or the risk inherent in the inputs to the valuation technique.

Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarised in the three broad levels listed below:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities at measurement date.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (including each Fund's assumptions in determining the fair value of investments).

The inputs or methodology used for valuation are not necessarily an indication of the risk associated with investing in those investments.

The Fund has included the fair value hierarchy in Note 7.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(g) Net assets attributable to Ethereum Interest Holders

The Fund's Ethereum Interests are classified as liability as they did not satisfy the below criteria:

Ethereum Interests are classified as equity when they satisfy the criteria under *AASB 132 Financial Instruments*: Presentation as below:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Net assets attributable to Ethereum Interest Holders (continued)

- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

In addition to the puttable financial instrument having all of the above features, the Fund must have no other financial instrument or contract that has:

- total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund; and
- the effect of substantially restricting or fixing the residual return to the redeemable shareholders.

The Fund continually assesses the classification of the Ethereum Interests. If the Ethereum Interests cease to have all the features, or meet all the conditions set out, to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the Ethereum Interests subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.

The Fund's capital is represented by the Ethereum Interests, which are redeemable at the Ethereum Interest holders' option. However, the Responsible Entity may suspend redemption if it is in the best interest of Ethereum Interest holders.

Quantitative information about the Fund's capital is provided in Note 2. The Ethereum Interests are entitled to distributions when declared and to payment of a proportionate share of the Fund's net asset value on the redemption date or upon winding up of the Fund.

(h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST, and accruals are shown exclusive of GST.

(i) Income tax

Under current legislation, the Fund is not liable for income tax provided its taxable income is fully distributed to Ethereum Interest holders as a bare trust.

(j) Expenses

Fees are recognised on an accrual basis.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Distribution to Ethereum Interest holders

Distributions are presented in the Statement of Profit or Loss and Other Comprehensive Income for the period. The Fund's Trust Deed has no contractual obligation for the Responsible Entity to distribute income to Ethereum Interest holders.

(l) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

NOTE 2: NET ASSETS ATTRIBUTABLE TO ETHEREUM INTEREST HOLDERS

Movements in the number of Ethereum Interests and net assets attributable to Ethereum Interest holders during the period were as follows:

Issued Ethereum Interests

	2023 Interests	2023 $
Ethereum Interests issued – applications	-	-
Redemptions	-	-
Operating profit	-	-
Closing balance	**-**	**-**

NOTE 3: RELATED PARTY TRANSACTIONS

The Fund's related parties include those described below.

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

(a) Investment Manager

The Investment Manager is entitled to be paid out of the Trust Property a Management Fee of up to 1.35% per annum of the net asset value. No management fees was incurred and paid by the Fund to Monochrome Asset Management Pty Ltd for the period.

The Investment Manager has agreed to be responsible for some fees of both the Responsible Entity and the auditors directly, and not recharge the Fund. The audit fees not charged directly to the Fund include $5,000 for the Compliance Plan audit.

(b) Key management personnel

The Fund does not employ personnel in its own right. However, it has an incorporated Responsible Entity, Vasco Trustees Limited and an Investment Manager, Monochrome Asset Management Pty Ltd, to manage the activities of the Fund. The Directors of the Responsible Entity are key management personnel of that corporate entity. No compensation is paid directly by the Fund to Directors or to any of the key management personnel of the Responsible Entity. Payments made by the Fund to the Responsible Entity do not specifically include any amounts attributable to the compensation of key management personnel.

(c) Transactions

Core Tech Ventures Pty Ltd (Monochrome's CEO's investment company) owned nil Ethereum Interests in the fund at period end.

NOTE 4: CONTINGENT LIABILITIES

There are no contingent liabilities at the end of the period.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this report, there have been no events subsequent to the reporting date that require additional disclosure.

NOTE 6: FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

(a) Price Risk

Price risk is the risk that the fair values or future cash flows of investments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or all factors affecting all instruments traded in a market or market segment. The maximum risk is equivalent to the investment's fair value.

The NAV of the Fund will vary according to the value of the Ethereum included in the Fund's portfolio, among other things. The value of the Ethereum may be influenced by factors which are not within the control of the Fund or the Manager, including factors that affect the cryptocurrency markets generally such as general economic and political conditions, fluctuations in interest rates and factors unique to the Ethereum held by the Fund.

The following table analyses the Fund's exposures to price risk and sets out the concentration of the investments in assets.

	Fair value	% of NAV
Ethereum at fair value	nil	0.00%

(b) Currency Risk

Currency risk arises from change in price of one currency against another. The Fund may hold cash denominated in currencies other than the Australian dollars. It's converted to the Fund's functional currency in determining fair value, and the fair value is subject to fluctuations relative to the strengthening or weakening of the functional currency.

(c) Responsible Entity Risk

There is a risk that an investment in the Fund could be adversely impacted by the termination of the Fund, changes to fees and expenses, or the retirement or replacement of the Responsible Entity.

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

NOTE 6: FINANCIAL RISK MANAGEMENT (continued)

(d) Service Provider Risk

The price of the Ethereum Interests could be adversely affected if any of the various parties involved in the operation of the Fund, including the Responsible Entity, Investment Manager or other underlying agents or service providers fail to perform or breach their obligations. This risk is mitigated (but not eliminated) by undertaking due diligence on all third-party service providers to the Fund, and using third party service providers who are well regarded in the Australian market or in their respective overseas markets.

(e) Ethereum Custodian Risk

Under the Custody Agreement, the Ethereum Custodian is only liable for losses that are the direct result of its own gross negligence, fraud or wilful default in the performance of its duties, and then only up to the market value of the Ethereum lost or damaged at the time such gross negligence, fraud or wilful default is discovered by the Ethereum Custodian. In addition, the Ethereum Custodian is not liable for any delay in
performance or any non-performance of any of its obligations under the Custody Agreement by reason of any cause beyond its reasonable control, including breakdown, malfunction or failure of transmission, communication or computer facilities. If any Ethereum forming part of the Assets attributable to any Ethereum Interests is lost, damaged, stolen or destroyed under circumstances in which the Ethereum Custodian is
liable, the liability will be attributable to the Responsible Entity, because the Responsible Entity is ultimately liable to Holders for the acts and omissions of the Ethereum Custodian. The Responsible Entity
may not have the financial resources (including liability insurance coverage) sufficient to satisfy the claim or may not readily be identifiable and the Fund and/or the Responsible Entity would not be able to satisfy its obligations in respect of the Ethereum Interests resulting in a loss to Holders.

Although the Ethereum Custodian currently maintains insurance in respect of its custody services, there is a risk that it may not continue to do so. Consequently, a loss may be suffered with respect to the Ethereum which is not covered by insurance. Accordingly, there is a risk that some or all of the Ethereum could be lost, stolen or damaged and that the Fund would not be able to satisfy its obligations in respect of each Separate Trust or recover the Fund's losses from the Ethereum Custodian or its insurer.

The Ethereum Custodian is entitled to terminate the Custody Agreement upon 90 days' written notice to the Responsible Entity. If following such a notice of termination, the Responsible Entity is not able to appoint a new custodian, it may be forced to redeem some or all of the Ethereum Interests which may lead to a Holder realising their investment earlier than desired and potentially crystallising investment losses.

(f) Regulatory Risk

Returns may be affected by any adverse regulatory changes in Australia or elsewhere, which could have an impact on the Fund's existing investments or adversely affect the Fund's ability to trade in the future. The Responsible Entity monitors the factors influencing the Fund's regulatory status on a regular basis and maintains a working knowledge of the proposed regulatory changes that may impact the Fund. Where appropriate, the Responsible Entity and/or the Investment Manager will make submissions to regulators with a view to ensuring investors' interests are represented.

NOTE 6: FINANCIAL RISK MANAGEMENT (continued)

(g) Taxation and Legislative Change Risk

Changes in taxation rates, tax rules or tax law interpretation may impact Ethereum Interest holders' investment returns. The taxation assumptions made in this Product Disclosure Statement are based on existing Australian tax legislation. Any changes to such legislation may materially impact the returns of the Fund. It is recommended that you seek advice from a tax adviser before making an investment in the Fund. To mitigate risk, the Responsible Entity maintains a working knowledge of proposed legislative and taxation changes that may impact the Fund and where relevant, the Responsible Entity and/or the Investment Manager will make submissions to regulators with a view to ensuring investors' interests are represented.

(h) Product Risk

Changes may be made to the Fund from time to time including changes to the Fund's investment strategy, fees, or minimum investment amounts. These changes could impact the Fund's returns.

The portfolio of the Fund may be subject to change if it is considered to be in the best interests of the Holders. Furthermore, the Fund may not achieve its investment objective. This might mean that the return generated may differ from the stated investment objective.

(i) Industry Risk

The Digital Asset sector is rapidly changing and there may be risks that arise which are currently unforeseen by the Responsible Entity. The Responsible Entity will use its best endeavours to identify these risks as they arise and mitigate them to manage any potential impacts to the Fund. An investment in Ethereum Interests can be extremely risky and is highly speculative, with the price of Ethereum also potentially being exposed to or correlated with the failures of other, higher risk crypto assets. Anyone who acquires Ethereum directly or indirectly, should be aware that there is a high risk that their investment could fall in value and, in the event of an unforeseen or unforeseeable catastrophic failure, be lost.

(j) Limited Recourse Risk

Upon Redemption, the Ethereum Interest Holder only has recourse to an entitlement to receive delivery of an amount of Ethereum or its cash equivalent equal to the amount of Ethereum represented by the Ethereum Interest from the Responsible Entity pursuant to the Separate Trust over that Ethereum, less the sell spread (if applicable).

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

(k) Liquidity Risk

The market for Ethereum is likely to be more liquid than the market for Ethereum Interests. Holders of Ethereum Interests should not expect their investment to be as liquid as the market for Ethereum itself.

(l) Bare Trust Risk

The tax treatment of this product depends on the investor being 'absolutely entitled' (for tax purposes) to the Assets. The state of the law relating to absolute entitlement is subject to some uncertainty and it is important that investors are aware of the general risks relating to the tax treatment of custodial or bare trust investments such as the Ethereum Interests.

NOTE 6: FINANCIAL RISK MANAGEMENT (continued)

(m) Compulsory Redemption Risk

The Fund may in certain circumstances redeem all or a portion of a Holder's Ethereum Interests. Compulsory Redemption of Ethereum Interests may have a detrimental impact on a Ethereum Interest Holder's investment if the timing of the Redemption does not suit the Ethereum Interest Holder's personal circumstances and investment strategy.

Circumstances which may result in the Responsible Entity compulsorily redeeming a Ethereum Interest Holder's Ethereum Interests, and the relevant notice requirements are summarised below under the heading "Constituent documents". Compulsory Redemption may occur where the Responsible Entity forms the view that the continued operation of the Fund has become uneconomic, or in circumstances where the Responsible Entity is unable to find an appropriate Ethereum Custodian.

(n) General Risks

The key risks of investing in managed investment schemes include:

- the value of investments will vary;
- the level of returns will vary, and future returns will differ from past returns;
- returns are not guaranteed, and investors may lose some or all of their money;
- laws affecting registered managed investment schemes may change in the future; and
- the relevant level of risk for each investor will vary depending on a range of factors including their age, investment timeframe, other investments and individual risk tolerance.

NOTE 7: FAIR VALUE MEASUREMENT

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

Financial assets at fair value through profit or loss

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market

The fair value of financial assets traded in active markets is based on their quoted market prices at the end of the year. The Fund values its investments in Ethereum in accordance with the accounting policies set out in Note 1 to the financial statements.

A financial instrument is regarded as quoted in an active market if quoted prices for an identical asset are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NOTE 7: FAIR VALUE MEASUREMENT (continued)

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets that are not traded in an active market is determined using valuation techniques. Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

The Fund's Investments in Ethereum are classified as level 2 investments.

NOTE 8: RESPONSIBLE ENTITY DETAILS

The registered office and the principal place of business of the Responsible Entity is:

Vasco Trustees Limited

Level 4

99 William Street

Melbourne Victoria 3000

MONOCHROME ETHEREUM ETF
DIRECTORS' DECLARATION
FOR THE PERIOD FROM 9 AUGUST 2022 TO 31 DECEMBER 2023

In the opinion of the Directors of Vasco Trustees Limited:

(a) The financial statements and notes of Monochrome Ethereum ETF ("the Fund") are in accordance with the *Corporations Act 2001,* including:

  (i) Giving a true and fair view of its financial position as at 31 December 2023 and its performance for the period from 9 August 2022 to 31 December 2023 ended on that date; and

  (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Craig Dunstan

Craig Dunstan

Director

28 March 2024

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Building a better working world

Independent auditor's report to the Ethereum Interest holders of Monochrome Ethereum ETF

Report on the audit of the financial report

Opinion

We have audited the financial report of Monochrome Ethereum ETF (the "Fund"), which comprises the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 9 August 2022 to 31 December 2023, notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Fund's financial position as at 31 December 2023 and of its financial performance for the period 9 August 2022 to 31 December 2023; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 report and auditor's report thereon

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2023 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Directors of the Responsible Entity for the financial report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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 the Directors of Responsible Entity.

- Conclude on the appropriateness of the Directors of the Responsible Entity of the Funds' 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 report 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.

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- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Responsible Entity 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.



Ernst & Young



Elliott Shadforth
Partner
Sydney
28 March 2024

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