



Product Disclosure Statement

Issued: 26 June 2024

**Digital X Bitcoin ETF (Fund)**

ARSN 650 945 216 / ASX CODE BTXX

<p><b>Investment Manager</b> DigitalX Asset Management Pty Ltd ABN 59 629 653 121 Authorised Representative No. 001270748 Suite 2, Level 4, 66 Kings Park Road West Perth WA 6005</p>	<p><b>Responsible Entity</b> K2 Asset Management Ltd ABN 95 085 445 094 / AFSL 244 393 Level 44, 101 Collins Street, Melbourne, VIC, 3000 Phone 03 9691 6111 Email <a href="mailto:invest@k2am.com.au">invest@k2am.com.au</a> Website <a href="http://www.k2am.com.au">www.k2am.com.au</a></p>
---	--

## About this PDS

This product disclosure statement (**PDS**) is dated 26 June 2024.

K2 Asset Management Ltd (ABN 95 085 445 094 AFSL 244393) is the issuer of this PDS and is responsible for its contents. In this PDS, references to the “**Responsible Entity**”, “**K2**”, “**we**”, “**our**” or “**us**” refer to K2 Asset Management Ltd.

This PDS is the offer document for the Australian registered managed investment scheme called DigitalX Bitcoin ETF (ARSN 650 945 216) (**Fund**). **K2 is the responsible entity of the Fund.**

A copy of this PDS was lodged with the Australian Securities and Investments Commission (**ASIC**) on 26 June 2024. At the time of lodgement of this PDS with ASIC, the Bitcoin Interests in the Fund are yet to be quoted for trading on the Australian Stock Exchange (**ASX** or **Exchange**). An application has been made to the Exchange for Bitcoin Interests in the Fund issued pursuant to this PDS to be quoted for trading on the Exchange under the ASX Operating Rules. Neither ASIC nor the Exchange takes any responsibility for the contents of this PDS.

No applications for Bitcoin Interests in the Fund will be accepted until the exposure period for the PDS has expired. The exposure period for the PDS expires seven days after lodgement of this PDS with ASIC, subject to possible extension by ASIC for a further period of up to seven days.

A copy of the latest PDS for the Fund is available on the Fund Website at [www.digitalx.com](http://www.digitalx.com) or by contacting the Responsible Entity. The Responsible Entity will provide a paper copy of the PDS free of charge on request.

### The offer

The offer under this PDS is for persons who have been authorised as ‘participants’ under the ASX Operating Rules. Certain sections of the PDS (particularly those relating to applications for Bitcoin Interests in the normal course) are of direct relevance to such persons only. Other investors cannot apply for Bitcoin Interests under this PDS but can buy Bitcoin Interests on the Exchange through a stockbroker, or via a financial adviser, and may redeem Bitcoin Interests directly with the Responsible Entity. The offer to which this PDS relates is available to Authorised Participants receiving the PDS (electronically or otherwise) in Australia.

### The Investment Manager

The Responsible Entity has appointed DigitalX Asset Management Pty Ltd (ACN 629 653 121) (**DigitalX** or **Investment Manager**) to act as the Investment Manager of the Fund. DigitalX is an authorised representative of K2 Asset Management Ltd (ABN 95 085 445 094 AFSL 244393) (Authorised Representative No. 001270748).

### Not financial product advice

The information in this PDS is not financial product advice and does not take into account the investment objectives, financial situation or particular needs of any particular person. It is important that you read this PDS carefully and in its entirety before deciding whether to invest in the Fund. In particular, you should consider the risk factors that could affect the performance of the Fund. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and seek professional guidance from your stockbroker, solicitor, accountant or other independent professional adviser before deciding whether to invest in the Fund. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this PDS, nor any other person, warrants or guarantees the performance of the Fund or the repayment of capital by the Fund or any return on investment made pursuant to this PDS. No person is authorised to give any information or to make any representation in connection with the offer described in this PDS that is not contained in this PDS. Any information not so contained may not be relied upon as having been authorised by the Responsible Entity or any other person in connection with the offer. You should rely only on information contained in this PDS.

### Foreign jurisdictions

This PDS does not constitute an offer or invitation to apply for Bitcoin Interests in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Bitcoin Interests or the Fund, or to otherwise permit a public offering of the Bitcoin Interests, in any jurisdiction outside Australia and New Zealand.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this PDS outside Australia may be restricted by law, and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, the Bitcoin Interests have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any state securities laws in the United States and may not be offered, sold, pledged or transferred in the United States unless the Bitcoin Interests are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities act and applicable US state securities laws is available.

### Updated information

Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to investors will be made available on the Fund Website and the Responsible Entity will provide a copy of the updated information, free of charge, to any investor who requests a copy by contacting the Responsible Entity. In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS, which will be accessible via the ASX Announcements Platform. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

### Definitions and time

Defined terms and expressions used in this PDS are explained in the Glossary at the end of this PDS. Unless otherwise stated or implied, references to times in this PDS are to Australian Eastern Standard Time (**AEST**).

All amounts in this PDS are in Australian dollars. All fees are inclusive of goods and services tax (**GST**) and take into account reduced input tax credits (**RITCs**) if applicable. All fees in this PDS are rounded to two decimal points.

## TABLE OF CONTENTS

01	Key features at a glance	4
02	Key parties	6
03	How the Fund works	6
04	Benefits of investing in the Fund	9
05	Risks of managed investment schemes	9
06	How we invest your money	11
07	Fees and costs	13
08	How managed investment schemes are taxed	16
09	How to transact on your investment	19
10	ASX AQUA Rules	22
11	The Fund's service providers	23
12	Information for New Zealand Investors	24
13	Additional Information	24
14	Terms used in this PDS	26

## 01 Key features at a glance

Key features	
Fund category	Bitcoin and cash (AUD & USD)
ASX code	BTXX
ARSN	650 945 216
Management fees and costs	<p>0.49% p.a. (inclusive of GST and RITC)</p> <p>Other fees and costs are payable in accordance with this PDS. Please refer to Section 07 of this PDS for further information.</p>
Investment objective	<p>The Fund aims to deliver a return that tracks the performance of the price of Bitcoin (before fees and expenses). The return of the Fund will be calculated by reference to the CME CF Bitcoin Reference Rate (<b>BRR</b>).</p> <p>As the BRR is denominated in USD, and the Fund is denominated in AUD, investors will be subject to fluctuations in the AUD/USD exchange rate as well as fluctuations in the price of Bitcoin.</p> <p>The Fund's investment objective is expressed before the deduction of fees and costs and taxation, i.e. performance is measured relative to the Fund's benchmark before fees and costs and taxes are deducted. See Section 07 of this PDS for details on fees and costs and Section 08 for details on taxation. The Fund's investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve. The Fund may not achieve its investment objective. Returns are not guaranteed.</p>
Investment strategy	<p>To hold substantially all of its assets in long-term holdings of Bitcoin to achieve the investment objective.</p> <p>The Fund is intended to be a passive holder of Bitcoin and will not buy and sell Bitcoin other than to facilitate redemptions and creations of Bitcoin Interests.</p>
Benchmark	<p>CME CF Bitcoin Reference Rate (<b>BRR</b>).</p> <p>The BRR is a once-a-day benchmark index price for Bitcoin denominated in US Dollars. The BRR is a regulated benchmark under the UK Benchmarks Regulation regime.</p>
Bitcoin Interest prices	Available daily at <a href="http://www.digitalx.com">www.digitalx.com</a> .
Bitcoin Entitlement	<p>Each Bitcoin Interest represents a beneficial interest in Bitcoin, which will be held in a Separate Trust. The amount of Bitcoin represented by such beneficial interest is known as the Bitcoin Entitlement and reduces each day by the amount of the Management Fee (and any Fund expenses or distributions). On the issue date of the first Bitcoin Interest(s) the Bitcoin Entitlement will be 0.000218 Bitcoin and thereafter will reduce daily as described above. Subsequent issues of Bitcoin Interests will be issued based on the then prevailing Bitcoin Entitlement, such that all Bitcoin Interests on issue from time to time will have an identical Bitcoin Entitlement. The Bitcoin Entitlement will be published daily at <a href="http://www.digitalx.com.au">www.digitalx.com.au</a>.</p> <p>The Bitcoin Entitlement will be held in a Separate Trust per Bitcoin Interest. The Bitcoin Entitlement is the number of Bitcoin held by each Separate Trust, less any accrued but unpaid fees and expenses. The value of the Bitcoin Entitlement, after conversion into Australian dollars, will generally be equal to the Net Asset Value per Bitcoin Interest.</p> <p>Any Forked Assets may temporarily increase the Fund's Net Asset Value (until such assets are sold and the proceeds distributed to Holders) however this will not cause an increase or decrease to the Bitcoin Entitlement. The Responsible Entity may suspend applications and redemptions until it has sold and distributed the proceeds in respect of any Forked Assets (which may also result in a suspension of trading on ASX).</p>

Applications	Throughout the ASX Trading Day.
Minimum initial investment	<p>The offer in this PDS is only available to Authorised Participants. However, Bitcoin Interests will be quoted on the Exchange. Subject to market conditions, other investors may purchase Bitcoin Interests on the Exchange.</p> <p>The minimum investment by an Authorised Participant under this PDS is 1 Creation Unit Amount, unless the Responsible Entity agrees otherwise.</p> <p>The purchase of Bitcoin Interests on the Exchange is not subject to the terms of this PDS and therefore the minimum investment does not apply to purchases of Bitcoin Interests on the Exchange.</p>
Additional investment	You can add to your investment at any time by purchasing additional Bitcoin Interests on the ASX market.
Valuation	See Section 03 of this PDS on page 6 and Section 09 of this PDS on page 20.
Redemptions	<p>Throughout the ASX Trading Day.</p> <p>Redemptions are available to all investors (however it is generally expected that investors who wish to exit the Fund (who are not authorised participants) will sell their investment on the Exchange).</p>
Minimum withdrawals	There is no minimum number of Bitcoin Interests that investors can sell on the ASX market and there is no minimum number of Bitcoin Interests that investors can redeem directly with the Responsible Entity.
Access to your investment	Settlement of Bitcoin Interests sold on the Exchange occurs via the CHESS settlement service on the second Exchange Business Day after trade date. Settlement of Bitcoin Interests redeemed with the Responsible Entity will generally occur on the second Exchange Business Day after the redemption date.
Reporting	<p>Monthly performance updates will be available on <a href="http://www.digitalx.com">www.digitalx.com</a></p> <p>Holding statements and periodic statements will be available from the Registry.</p>
Distributions	The Fund does not expect to pay regular distributions. The Fund may however pay distributions shortly after 30 June each year.
Responsible Entity	<p>K2 Asset Management Ltd</p> <p>Level 44, 101 Collins Street</p> <p>Melbourne VIC 3000</p>
Investment Manager	<p>DigitalX Asset Management Pty Ltd</p> <p>Suite 2, Level 4, 66 Kings Park Road</p> <p>West Perth WA 6005</p>
Contact	<p>Client Services – DigitalX</p> <p>Email: <a href="mailto:info@digitalx.com">info@digitalx.com</a></p>
Custodian	Coinbase Custody Trust Company LLC
Administrator	Apex Fund Services Pty Ltd
Registry	Automic Pty Ltd
Auditor	KPMG Australia

## 02 Key Parties

### The Responsible Entity

K2 Asset Management Ltd (ABN 95 045 885 094) (AFSL 244393), a subsidiary of K2 Asset Management Holdings Ltd (ABN 59 124 636 782), which is a public company listed on the Australian Securities Exchange (**ASX: KAM**), is the Fund's Responsible Entity and issuer of this PDS. K2 was established in Melbourne in 1999 and specialises in managed funds for retail, wholesale and institutional investors.

The responsibilities and obligations as the Fund's Responsible Entity are governed by the Fund's constitution (**Constitution**), the Corporations Act and general trust law.

As Responsible Entity, K2 oversees the operation and management of the Fund and is required to act in the best interests of investors.

K2 is indemnified out of the Fund against all liabilities and expenses incurred by them in properly performing any of their duties, exercising any of their powers, or omitting to act in relation to the Fund, or attempting to do so. Subject to the Corporations Act, provided they act in good faith and without negligence, the above entities are not liable to investors for losses in relation to the Fund (except in certain circumstances, where it can be indemnified from the Fund).

K2, and its agents do not guarantee the performance of the Fund.

### The Investment Manager

DigitalX Asset Management Pty Ltd (a wholly owned subsidiary of DigitalX Limited ASX: DCC) is the investment manager of several of digital asset investment products.

The company operates three professionally managed wholesale funds: the **DigitalX Asset Reference Token Fund**, the **DigitalX Bitcoin Fund**, and the **DigitalX Fund** - a diversified basket of leading digital assets. The DigitalX funds aim to solve the technical and risk management challenges of investing in this emerging asset class for individual and institutional investors.

## 03 How the Fund works

The Fund is a registered managed investment scheme governed by the Constitution. The Fund is structured as a scheme comprised of separate absolute entitlement trusts (also known as a bare trust). The scheme is comprised of a number of Separate Trusts, one per Bitcoin Interest, where each Separate Trust provides the Holder of the relevant Bitcoin Interest with a beneficial interest in the Bitcoin (and any other assets) held in the Separate Trust, separate from all other Bitcoin Interests. Each Holder is absolutely entitled to the underlying Bitcoin (and any other assets) held by the Separate Trust. The amount of Bitcoin referable to each Separate Trust from time to time is referred to as the Bitcoin Entitlement and represents the amount of Bitcoin the holder of the Bitcoin Coin interest is entitled to upon redemption of a Bitcoin Interest. The rights of Holders are set out in the Fund's Constitution.

### Investing in the Fund

**NOTE: Only Authorised Participants may apply for Bitcoin Interests directly through this PDS. Accordingly, the material below that relates to applications for Bitcoin Interests is of direct relevance to such persons only.**

**Other investors may buy and sell Bitcoin Interests by trading on the Exchange through a stockbroker, or via a financial adviser, and may redeem Bitcoin Interests directly with the Responsible Entity.**

Prior to being issued Bitcoin Interests, an Authorised Participant must execute an Authorised Participant Agreement that deals with, amongst other things, the rights and obligations of the Authorised Participant in relation to applying for Bitcoin Interests.

To effect an application or redemption, the Application Form or Redemption Form must be completed.

### Minimum applications and redemptions

The minimum application amount for Authorised Participants is 1 Creation Unit Amount, unless otherwise agreed with the Responsible Entity.

There is no minimum redemption amount for any Holder, however, a redeeming Holder must pay any redemption fees specified in Section 07 of this PDS regardless of the amount of Bitcoin Interest being redeemed.

### Processing applications and redemptions

Application and Redemption forms may only be lodged on a day that is an Exchange Business Day.

Application Forms or Redemption Forms validly completed and received before the Dealing Deadline on an Exchange Business Day are processed at the Issue Price or Redemption Price (being the Net Asset Value per Bitcoin Interest) for the Fund applicable to that day.

Application Forms or Redemption Forms validly completed and received after the Dealing Deadline on an Exchange Business Day, or on a day that is not an Exchange Business Day, will be treated as being received on the next Exchange Business Day.

By signing an Authorised Participant Agreement, an Authorised Participant agrees to be bound by certain execution and settlement procedures in relation to applications for and redemptions of Bitcoin Interests which are set out in the Authorised Participant Agreement.

The procedures allow the Responsible Entity to (amongst other things) cancel an application or redemption in certain circumstances. The Responsible Entity may also reject any application in whole or in part at any time, without giving reasons. Please refer to Section 09 of this PDS for additional information on applications and redemptions.

### Bitcoin Interest pricing discretions policy

The Responsible Entity has developed a formal written policy in relation to the guidelines and relevant factors taken into account when exercising any discretion in calculating Bitcoin Interest prices (including

determining the value of the assets and liabilities). A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy (including records of any exercise of such discretions which are outside scope of the policy, or inconsistent with the policy) will be made available free of charge on request.

### Valuation

Bitcoin held by the Fund is valued based on the CME CF Bitcoin Reference Rate which is denominated in US dollars, however, the Fund will be valued in Australian dollars. Investors will therefore be subject to fluctuations in the AUD/USD exchange rate as well as fluctuations in the price of Bitcoin.

The Net Asset Value (**NAV**) per Bitcoin Interest is calculated daily by deducting all liabilities (including fees) referable to the Fund's Bitcoin Interests and dividing this by the number of Bitcoin Interests on issue in the Fund.

The Responsible Entity intends to make available, or designate other persons to make available on its behalf, an estimated indicative Net Asset Value per Bitcoin Interest (**iNAV**) for the Fund. It will do so by providing such information, updated once per second, at [www.digitalx.com.au](http://www.digitalx.com.au) during any ASX Trading Day. The iNAV will be calculated based upon information available to the Responsible Entity or its designate during the ASX Trading Day or any portion of the ASX Trading Day from time to time, and for informational purposes only. Any iNAV is not, and should not be taken to be or relied on as being, the value of a Bitcoin Interest or the price at which Bitcoin Interests may be applied for or redeemed, or bought or sold on the ASX, and may not reflect the true value of a Bitcoin Interest. Investors interested in applying for or redeeming Bitcoin Interests, or buying or selling Bitcoin Interests on the ASX, should not rely on any iNAV which is made available in making investment decisions but should consider other market information and relevant economic factors. Neither the Responsible Entity nor any designate or other service provider to the Responsible Entity shall be liable to any person who relies on the iNAV. No assurance can be given that any iNAV will be published continuously, will be up to date or free from error.

### Forks

A Fork occurs when the Bitcoin code changes so drastically that the new version of a blockchain is no longer backward-compatible with previous blocks. In this case, the blockchain divides into two parts: the old blockchain and a new one that adheres to the new set of rules. This results in the creation of a whole new cryptocurrency. The 2017 Bitcoin Cash fork is the most prominent example. In the event of a Fork, the Fund may become the owner of a Forked Asset. A Forked Asset refers to the new digital currency resulting from a Fork, or other asset or right that the Fund may be entitled to without any action of the Fund or the Investment Manager. This includes Airdropped tokens.

The Fund will only be allowed to hold and deal in a Forked Asset if it is supported by the Custodian. The Custodian is under no obligation to support Forked Assets. Holding of Forked Assets is also subject to compliance with legal requirements. The Responsible Entity's AFSL restricts the Fund's holdings of crypto-assets to Bitcoin, therefore, the Fund is not intended to be a long term holder of any Forked Assets. Under the terms of the Constitution, Holders direct the Responsible Entity to dispose of any Forked Assets which the Fund may acquire from time to time.

If the Custodian does not support the Forked Asset, the Fund may be unable to claim such assets, and the relevant Forked Asset may be assumed to have a value of zero for the purposes of computing the Fund's Net Asset Value. If the Custodian decides to support any previously unsupported Forked Assets in the future, and a viable market for such Forked Assets is developed, such assets will be disposed of at that time at the prevailing market rate. It may be necessary for the

Fund's quotation on the ASX market, and creations and redemptions of Bitcoin Interests, to be suspended for a period because of a Fork.

Supported Forked Assets with a viable market will be sold for cash and the proceeds distributed to Holders.

### Distributions

The Fund does not expect to pay regular distributions.

To prevent the Fund from incurring a tax liability, the Fund may distribute income at the end of June via reinvestments in the Fund, unless the investor indicates to have the distributions directly credited to their Australian domiciled, AUD bank account.

An investor's share of any distributable income is generally based on the number of Bitcoin Interests held by the investor at the end of the distribution period. A distribution of net income generally forms part of a Holder's assessable income, and you will be liable to pay tax on that income. At the time of distribution, the value of each Bitcoin Interest will be reduced by the distribution amount.

New Zealand investors can only have their distribution directly credited if an AUD Australian domiciled bank account is provided, otherwise it must be reinvested in accordance with the Fund's distribution reinvestment plan.

The distribution reinvestment plan is offered to New Zealand investors on the following basis:

- At the time the price of the Bitcoin Interest allotted pursuant to the distribution reinvestment plan is set, the Responsible Entity will not have any information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Bitcoin Interest if the information were publicly available.
- The right to acquire, or require the Responsible Entity to issue, Bitcoin Interests will be offered to all investors of the same class, other than those resident outside New Zealand who are excluded so as to avoid breaching overseas laws.
- Bitcoin Interests will be issued on the terms disclosed to you, and will be subject to the same rights as Bitcoin Interests issued to all investors of the same class as you.

There is available from the Responsible Entity, on request and free of charge, a copy of the most recent annual report (if any) of the Fund, the most recent financial statements (if any) of the Fund, the auditor's report on those financial statements or, if those financial statements are not audited or reviewed by an auditor, a statement to that effect, the PDS and the Constitution for the Fund (including any amendments). Other than the Constitution, these documents may be obtained electronically from [www.k2am.com.au](http://www.k2am.com.au).

### Reporting

Monthly performance and other updates will be provided at [www.digitalx.com](http://www.digitalx.com).

By purchasing Bitcoin Interests on the ASX market, you will receive a holding statement from the Registry which sets out the number of Bitcoin Interests held. The holding statement will specify the "Holder Identification Number" or "Shareholder Reference Number" allocated by CHES.

### IDPS Indirect investors

If you are investing through an IDPS, other conditions may apply to investing, and access to your money in the Fund and to distributions. You should consult the IDPS terms and conditions.

### Consolidation of Bitcoin Interests

If the price of Bitcoin Interests closes below \$2.00 per Bitcoin Interest for 30 consecutive ASX trading days, there will be a compulsory consolidation of Bitcoin Interests to return the Bitcoin Interest price to at least \$20 per Bitcoin Interest.



## Overview of Bitcoin

The Fund objective is to invest in and hold Bitcoin over the long-term for the benefit of its Holders. Bitcoin is a type of cryptocurrency or digital currency that is not backed by any central bank or government. Bitcoin is created, held and transferred electronically on the Bitcoin Network.

### 1. Creation

Bitcoins are 'created' by a global community of people (**Miners**) who utilise the Bitcoin Network's computational power to solve mathematical puzzles to both create Bitcoin and to secure the payment network surrounding the Bitcoin Network. Due to the peer to peer nature of the Bitcoin Network, Bitcoin transactions are made with virtual currency which means that the Bitcoin Network has its own payment network. The Miners effectively regulate the software and administer the users of the Bitcoin Network, there is no manipulation or interference by any government, bank, organisation or individual.

The mining of Bitcoin results in the creation of a block, for every 210,000 blocks (approximately every 4 years) the amount of Bitcoin issued to miners is halved. This halving will eventually decrease to zero by the year 2140 and the supply limit of Bitcoin will be capped. The supply limit for Bitcoin is currently at 21 million, meaning that Miners cannot create more than this supply limit Bitcoin however can be transferred and exchanged in fractions, the smallest divisible amount is one hundred million of a Bitcoin.

### 2. Holding

Bitcoin is stored in a digital 'wallet'. These wallets keep confidential data known as private keys which are used when transacting in Bitcoin as proof of ownership. Each private key is a 256 alphanumeric sequence. When dealing in Bitcoin a user will have a public address and a private key to send and receive Bitcoin. The public address is where the funds are deposited and received. The Bitcoin Network will not accept any other evidence of ownership of the Bitcoin in the wallet aside from the private key assigned to it, therefore the Bitcoin in the wallet is irretrievable once the private key is lost. These wallets can be held in 'hot' or 'cold' storage. A wallet that is held in hot storage is active and connected to the internet, with the Bitcoin contained within freely available to transact for goods and services. Bitcoin held in hot storage poses the highest risk of theft from security breaches, hackers and malware. Cold storage is when the Bitcoin is held offline, not attached to servers or computers. Bitcoins held in cold storage are intended to be immune to hacking or online corruption.

### 3. Transfer

The software creating Bitcoin is transparent and available to the public to review and follow the mathematical formula creating Bitcoin at any time. The Bitcoin Network includes the protocol that governs the creation of Bitcoin and the secure communications that verify Bitcoin transactions through the Bitcoin Blockchain. Only the owner of a Bitcoin can send it and only the intended recipient of the Bitcoin is able to unlock what the sender has sent them with the transactional validation and ownership verified by any third party anywhere in the world.

Bitcoin transactions are the transfer of a value from one Bitcoin wallet to another via a Blockchain. The private keys linked to the respective Bitcoin wallets are required to provide ownership verification for a

transaction. These private keys are required to allow the owner of Bitcoin to send Bitcoin for a sale and for the purchaser to unlock what the seller has been sent to them.

In a transaction, the seller of Bitcoin will submit onto the Bitcoin Network the size and buyer of the Bitcoin. Once on the Bitcoin Network, the Miners will verify the transaction and include them in the Bitcoin Blockchain as a confirmed transaction. These confirmed transactions are added to the public Blockchain ledger.

Bitcoin can be purchased on Bitcoin trading platforms that are open 24 hours a day, 365 days of the year to facilitate the sale and purchase of Bitcoin.

### 4. Value

Bitcoin is a crypto-asset (also referred to as a cryptocurrency, Digital Currency or digital asset) which serves as the unit of account on an open source, decentralised, peer-to-peer computer network (the Bitcoin Network).

Bitcoin is maintained on a digital transaction ledger commonly known as a Blockchain. A Blockchain is a type of shared and continually reconciled database, stored in a decentralised manner on the computers of certain users of the digital asset and is protected by cryptography, being the sophisticated mathematical algorithms and the private keys used to encrypt and decrypt data. The Bitcoin Blockchain contains a record and history for each Bitcoin transaction.

The value of Bitcoin is not backed by any government, corporation or other identified body. The value of Bitcoin is determined in part by the supply of (which is limited), and demand for, Bitcoin in the markets for exchange that have been organised to facilitate the trading of Bitcoin (**Digital Exchanges**).

### 5. Custody and private key risk

The private key required to access a Bitcoin may be lost, destroyed or stolen resulting in the Investment Manager being unable to liquidate the Bitcoin, which would adversely affect your investment in the Fund.

The Fund aims to hold at least 80% of its digital currency in cold storage. "Cold storage" means that the private key shards are held in an offline digital hardware storage device that is stored in physical vaults in geographically diverse locations, and where each vault is secured by multiple levels of physical and biometric security. This means that private keys are not held in full until there is a transaction signing where the key is reconstituted. While these arrangements are intended to minimise the risk of the private keys being lost, destroyed or stolen, there is no guarantee that these events will not occur.



## 04 Benefits of investing in the Fund

Investing in the Fund offers a range of benefits, including:

### Expertise

You benefit from the skill and experience of a dedicated service providers with access to systems, trading platforms and technology required for the investment in and storage of Bitcoin.

### Market Access & convenience

You can easily gain exposure to Bitcoin that may not be present in your current investment portfolio. This can be completed without you needing to establish personal Bitcoin accounts and storage solutions.

### ASX Trading and CHES Settlement

You will be able to buy and sell Bitcoin Interests on the ASX market and benefit from CHES settlement and reporting.

## 05 Risks of managed investment schemes

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. The level of risk for each person will vary depending on a range of factors, including age, investment time frames, where other parts of your wealth are invested and your risk tolerance.

Risks that should be considered when investing in the Fund include, but are not limited to, the following:

### Bitcoin market risk

Bitcoin is highly volatile and adolescent in its track record. It is traded and valued in relatively unregulated markets and there is a risk that it will have limited value in the future. Operational risk is also present when trading bitcoin on the various exchanges and the Fund may not be able to buy or sell Bitcoin during periods of technical disruption. Bitcoin presents many risks that are not associated with traditional financial assets that trade on regulated markets such as equities. It should be considered a very high-risk investment. **There is no guarantee that Bitcoin will maintain any long-term value or use.** It is not yet widely accepted as a form of payment and there is a risk that it will have no value in the future.

### Pricing risk

The price of Bitcoin is sensitive to market sentiment and large swings in pricing is expected. Bitcoin trades at different prices across the various Bitcoin trading platforms and there may be times when Bitcoin is traded within the Fund at a price that negatively affects the value of the Fund.

### Cyber security risk

Cyber security is an additional risk attached to Bitcoin. The Fund will predominately use the Coinbase trading account to buy and sell bitcoin, there is the risk that Coinbase trading account or the Fund's Coinbase custody account may be compromised or hacked. While the Fund will aim to keep at least 80% of its bitcoin holdings in cold storage with Coinbase, there is the risk that Coinbase may not be able to meet its obligations as an exchange and/or custodian.

### Immutability

Most digital currencies, including Bitcoin, are built on immutable blockchains. This means that an incorrect or unauthorised transfer of a digital currency cannot be reversed and can only be undone by the recipient agreeing to return the digital currency in a separate transaction. It is possible that, through computer or human error, or through theft or other criminal action, the Fund's bitcoin could be

irretrievably transferred to unauthorised third parties, or to uncontrolled accounts.

### Custody and private key risk

The private key required to access bitcoin may be lost, destroyed or stolen resulting in the Fund being unable to liquidate the digital currency, which would adversely affect your investment in the Fund. The Fund aims to hold at least 80% of its digital currency in cold storage. This means that the private key shards are held in an offline digital hardware storage device that is stored in physical vaults in geographically diverse locations, and where each vault is secured by multiple levels of physical and biometric security. This means that private keys are not held in full until there is a transaction signing where the key is reconstituted. While these arrangements are intended to minimise the risk of the private keys being lost, destroyed or stolen, there is no guarantee that these events will not occur.

### Currency risk

Currency risk is the sensitivity of the portfolio value to movement in foreign exchange rates. As Bitcoin generally trades in US dollars there is the risk of foreign exchange losses when converting assets into AUD. Bitcoin held by the Fund will be valued in US dollars however the Fund itself will be valued in Australian dollars. While the Investment Manager quantifies the risk of each individual Bitcoin, DigitalX does not actively manage or hedge currencies in aggregate for the Fund. Therefore, the Fund will be affected by currency movements, which may have an adverse effect on the value of the Fund.

### Political, regulatory and legal risk

Bitcoin currently operates in a relatively unregulated environment. As governments and regulators continue to evolve their understanding and approach there is a risk of increased restrictions to the use and treatment of Bitcoin in the future. This increased regulation may be innovative or hostile. The Fund may be affected by the actions of governments and regulatory bodies. Legislation could be imposed retrospectively or may be issued in the form of internal regulations of which the public may not be aware. Legislation (including legislation relating to tax) or regulation may be introduced which inhibits the Fund from pursuing its strategy or which renders the existing strategy less profitable than anticipated. These actions may take any form and may be imposed without prior warning by any regulator.

### Environmental impact

The mining of Bitcoin requires substantial quantities of energy, which may be sourced from non-renewable sources and to the extent that this has a large environmental impact it may adversely impact the perception and reputation of Bitcoin. This, in turn, may negatively impact the price of Bitcoin and therefore the value of Bitcoin Interests in the Fund.

### Forking Risk

The Fund will only be allowed to hold a Forked Asset if it is supported by the Custodian. The Custodian is under no obligation to support Forked Assets. If the Custodian does not support the Forked Asset, the Fund may be unable to claim such assets, and the relevant Forked Asset may be assumed to have a value of zero for the purposes of computing the Fund's Net Asset Value.

Newly-Forked Assets may be less liquid than more established assets, and as such may be difficult for the Fund to dispose of in a timely manner. It is not possible to predict the impact that any Fork could have on the Fund or for how long any resulting disruption may exist.

### Operational risk

Operational risk addresses the risk of trading and back office or administration issues that may result in a loss to the Fund's portfolio. This could be the result of oversight, ineffective security processing

procedures, computer system problems or human error. The Investment Manager have instituted certain practices and processes within their designed to wherever possible mitigate the operational risk consequences that arise.

#### Concentration risk

Concentration of investments in the Fund (between individual investments and types of investments) will reduce the potential benefit of diversification. Diversification has the potential benefit of reducing volatility of investment. The Fund will invest substantially all of its assets in Bitcoin. There will be no diversification within the Fund. Therefore, if the price of Bitcoin falls, the Fund will rebalance by continuously acquiring Bitcoin to maintain the target allocation percentage, this may lead to increased potential losses.

#### Competitor risk

Bitcoin is one of many cryptocurrencies in creation. If a competitor cryptocurrency gains greater market share or sentiment than Bitcoin this may negatively impact the value of Bitcoin.

Other funds may operate with a similar or identical investment strategy to the Fund. If there is insufficient demand for investments in the Fund due to competitors or otherwise, the Fund may become uneconomical to operate and may be wound up.

#### ASX Market risk

The ability to buy and sell Bitcoin Interests on the ASX market could be limited and may impact the liquidity of your investment. No trading will occur during any period where ASX suspends trading of the Fund's Bitcoin Interests. It is also possible that the price at which Bitcoin Interests trade on the ASX market is materially different to the valuation of the Fund.

#### Wider bid-offer spread

The Fund may trade at a wider bid-offer spread than many exchange traded products, because of the volatility of the underlying asset, being Bitcoin.

#### Liquidity risk

Bitcoin may become illiquid or suspended from trading or quoting. In this instance, redemption requests and withdrawals from the Fund may be suspended. The Responsible Entity will use reasonable endeavours to ensure that at all times there is an Authorised Participant(s) to assist in providing liquidity on the ASX. There can, however, be no assurance that there will at all times be an Authorised Participant. In circumstances where there are no Authorised Participants, the Fund's liquidity on the ASX may be limited. It may also be difficult or impossible to sell Bitcoin Interests on-market at a price which accurately reflects the price of the Bitcoin represented by such Bitcoin Interests or within a reasonable time period (although Holders will be entitled to redeem their Bitcoin Interests off market in accordance with this PDS).

#### Derivative risk

The Fund does not invest in derivatives.

#### Fund risk

As with all managed funds, there are risks particular to the Fund including: that the Fund or the Bitcoin Interests could be terminated, the fees and expenses could change, or service providers are changed.

#### Interest rate risk

Changes in official interest rates can directly or indirectly impact (negatively or positively) on investment returns. For instance, rising interest rates can have a negative impact on the Fund's value as increased borrowing costs may cause earnings to decline.

#### Termination of the Fund or Bitcoin Interests, removal from quotation risk

To allow for continued quotation of securities under the ASX AQUA Rules, certain requirements are imposed. There is a risk that the Fund will not be able to continue to meet these requirements in the future or that ASX may change the quotation requirements. The Responsible Entity may also elect to terminate the Fund in the future for any reason, such as if the Fund's objectives can no longer be achieved.

#### Bare trust /absolute entitlement risk

The tax treatment of this product depends on the investors being 'absolutely entitled' (for tax purposes) to the underlying assets of the Fund. 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 bare trust /absolute entitlement investments such as the Bitcoin Interests. These risks are discussed in further detail in Section 08 of this PDS.

#### Entry/Exit price risk

The price at which investors buy and sell Bitcoin Interests on the ASX and the price at which investors apply for and redeem Bitcoin Interests may differ. This may be due to factors such as where Bitcoin Interests are bought and sold on the ASX, the price at which an investor buys or sells Bitcoin Interests will generally include an allowance to cover transaction costs but will also reflect market conditions and supply and demand for Bitcoin Interests during the ASX trading day. As such, the cost of the spread on the ASX may be different to the cost of the 'buy spread' or 'sell spread' for investors who apply or redeem Bitcoin Interests directly.

## 06 How we invest your money

Before choosing to invest in the Fund, you should consider the likely investment returns, the risks of investing and your investment timeframe.

### Investment objective

The Fund aims to deliver a return that tracks the performance of the price of Bitcoin (before fees and expenses). The return of the Fund will be calculated by reference to the CME CF Bitcoin Reference Rate (**BRR**).

As the BRR is denominated in USD, and the Fund is denominated in AUD, investors will be subject to fluctuations in the AUD/USD exchange rate as well as fluctuations in the price of Bitcoin.

The Fund's investment objective is expressed before the deduction of fees and costs and taxation, i.e. performance is measured relative to the Fund's benchmark before fees and costs and taxes are deducted. See Section 07 of this PDS for details on fees and costs and Section 08 of this PDS for details on taxation. The Fund's investment objective is not intended to be a forecast. It is only an indication of what the investment strategy aims to achieve. The Fund may not achieve its investment objective. Returns are not guaranteed.

### Risk level of the Fund

**Very High – There is a risk that investors may lose some or all of their investment.**

### Investor suitability

The Fund may be suitable for investors looking for exposure to Bitcoin.

### Investment style and approach

The Fund will hold substantially all of its assets in Bitcoin via long-term holdings. Bitcoin held by the Fund will be valued in US dollars however the Fund itself will be valued in Australian dollars and as such there is a significant currency exposure in the Fund. Investors will be exposed to both the US dollar price movements of Bitcoin and AUD/USD exchange rate. The Fund may also hold cash (both US and Australian dollars) in order to meet its obligations. The Fund is intended to be a passive holder of Bitcoin and does not intend to buy and sell Bitcoin other than for the purposes of facilitating creations and redemptions of Bitcoin Interests.

The Fund does not use derivatives.

### Asset allocation

The Fund will be invested in Bitcoin and may hold cash in both US and Australian dollars for short periods to facilitate the payment of fees and expenses.

### Restrictions

The Fund is not permitted to:

- borrow, open a margin account or engage in short selling; or
- invest in derivatives.

### OTC brokers

For liquidity purposes, the Investment Manager may use OTC brokers and providers to acquire and dispose of Bitcoin on behalf of the Fund. The Investment Manager will only engage with OTC brokers and providers that are registered with AUSTRAC or regulators recognised by AUSTRAC.

### Labour, environmental, social and ethical considerations

The Responsible Entity has appointed the Investment Manager to make investments decisions on behalf of the Fund, including decisions regarding whether, and the extent to which, labour standards and environmental, social and ethical considerations are taken into account

in the selection, retention or realisation of investments relating to the Fund.

Having regard to the Fund's investment strategy of investing directly in a single asset (bitcoin), the Investment Manager does not take labour standards or environmental, social and ethical considerations into account in the selection, retention or realisation of investments relating to the Fund.

### Location and Custody of Assets

The Fund's assets are held in custody with Coinbase Custody Trust Company LLC and also in the Coinbase trading account. The role performed by the Custodian is set out on Section 11 of this PDS.

### Changing the investment strategy

The investment strategy and asset allocation parameters may be changed. If a change is to be made, investors in the Fund will be notified as an ASX announcement or otherwise in accordance with the Corporations Act. There cannot be any significant change to the investment strategy described in this Section 06 without the approval of 75% of votes cast by those Holders who vote on the relevant resolution.

### Fund performance

Up to date information on the performance of the Fund can be obtained from [www.digitalx.com](http://www.digitalx.com).

### Valuation & Bitcoin Interest pricing (NAV per Bitcoin Interest)

The valuation of assets is performed by Apex Fund Services Pty Ltd in line with established pricing guidelines. After the Bitcoin Interests are quoted, the amount per Bitcoin Interest payable by an Authorised Participant upon an application for Bitcoin Interests is known as the Issue Price and is equal to the Net Asset Value per Bitcoin Interest.

The amount per Bitcoin Interest to which a Holder is entitled on the redemption of Bitcoin Interests is known as the Redemption Price, and is equal to the Net Asset Value per Bitcoin Interest.

The Issue Price and the Redemption Price are calculated in the same manner and will have the same value at any time (prior to any spread being applied). This value is determined by dividing the Net Asset Value of the Fund by the number of Bitcoin Interests on issue in the Fund at the time the Issue Price and/or Redemption Price are determined (the valuation time).

The Net Asset Value of the Fund is calculated by deducting from the aggregate value of the assets of the Fund all liabilities such as accrued fees and other costs, and provisions relating to the Fund. Fees and other costs, including the Responsible Entity's fees, are normally accrued daily. The value of any assets or liabilities denominated in a foreign currency is converted to Australian dollars using the applicable closing spot and forward rates as of the valuation time for the Fund. The Fund's assets reflect their market value. The valuation methods applied by the Responsible Entity to value the Fund's assets and liabilities are consistent with applicable industry standards and result in Net Asset Value per Bitcoin Interest calculations that are independently verifiable.

The main asset of the Fund will be Bitcoin. The Bitcoin will be valued based on a widely recognised Bitcoin index which in the opinion of Investment Manager best reflects the transactional price of Bitcoin, initially the CME CF Bitcoin Reference Rate. For further information regarding the CME CF Bitcoin Reference Rate visit [www.cfbenchmarks.com/data/indices/BRR](http://www.cfbenchmarks.com/data/indices/BRR).

CF Benchmarks Ltd index data is used under license as a source of information for certain DigitalX products. CF Benchmarks Ltd, its licensors and agents have no other connection to DigitalX products and

services and do not sponsor, endorse, recommend or promote any DigitalX products or services. CF benchmarks its licensors and agents have no obligation or liability in connection with the DigitalX products and services. CF Benchmarks its licensors and agents do not guarantee the accuracy and/or the completeness of any index licensed to DigitalX and shall not have any liability for any errors, omissions, or interruptions therein.

The redemption amount paid to a Holder on the redemption of Bitcoin Interests may include an amount representing their entitlement to distributable income of the Fund.

Details of the daily Net Asset Value per Bitcoin Interest (and hence the Issue Price and Redemption Price), as well as the Bitcoin Entitlement, will be made available on [www.digitalx.com](http://www.digitalx.com).

## 07 Fees and costs

### Consumer advisory warning

#### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your investment balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member service justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial adviser.

#### TO FIND OUT MORE

If you would like to find out more or see the impact of the fees based on your own circumstance, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed fund fee calculator to help you check out different fee options.

### Fees and costs summary

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxes are set out in another part of this document.

**You should read all the information about fees and costs because it is important to understand their impact on your investment.**

DigitalX Bitcoin ETF		
Type of fee or cost	Amount	How and when paid
<b>Ongoing annual fees and costs<sup>1</sup></b>		
<b>Management Fees and Costs</b> The fees and costs for managing your investment	0.49% p.a. of the net asset value (NAV) of the Fund.	<ul style="list-style-type: none"> <li>Investment management fee of 0.49% p.a. of the NAV of the Fund is accrued daily and paid monthly in arrears out of the Fund assets.</li> <li>Recoverable expenses incurred in managing the Fund will be paid by the Investment Manager.<sup>3</sup></li> <li>The indirect costs are estimated to be nil.</li> </ul>
<b>Performance Fees</b> Amounts deducted from your investment in relation to the performance of the product	Nil	Not applicable
<b>Transaction Costs</b> The costs incurred by the Fund when buying or selling assets	Nil	Transaction costs are incurred and accrued daily on the buying or selling of Fund assets (as applies).
<b>Member activity related fees and costs (fees for services or when your money moves in or out of the product)</b>		
<b>Establishment Fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution Fee<sup>2</sup></b> The fee on each amount contributed to your investment	If you are not an Authorised Participant - \$0.  If you are an Authorised Participant – \$200	A flat fee payable only by Authorised Participants to the Responsible Entity upon each Creation Request. The Creation Fee is not charged to Holders who acquire Bitcoin Interests on the ASX.
<b>Buy-sell spread</b> An amount deducted from your investment representing	0.50% buy-sell spread for redemptions via the Bitcoin Sale Method.	A buy-sell spread may be applicable to any redemptions via the Bitcoin Sale

costs incurred in transactions by the scheme.	Otherwise, nil.	Method. The buy-sell spread will be deducted from any sale proceeds payable to a Holder.
<b>Withdrawal Fee</b> The fee on each amount you take out of your investment	If you are not an Authorised Participant and trade on the ASX- \$0. If you are not an Authorised Participant and trade via the Bitcoin Sale Method – \$500 If you are an Authorised Participant – \$200	A fee payable by Holders to the Responsible Entity upon each redemption. The fee is not charged to Holders who sell Bitcoin Interests on the ASX.
<b>Exit Fee</b> The fee to close your investment	Nil	Not applicable.
<b>Switching Fee</b> The fee for charging investment options	Nil	Not applicable.

<sup>1</sup> All fees quoted above are inclusive of GST and net of any RITC. See below for more details as to how management costs are calculated.

<sup>2</sup> An Authorised Participant is a trading participant under the ASX Operating Rules who has entered into an agreement with the Responsible Entity in relation to Bitcoin Interest applications and redemptions. For an explanation of the contribution fees and withdrawal fees (also referred to in this PDS as application fees and redemption fees) please refer below (Additional explanation of fees and other costs).

<sup>3</sup> Extraordinary expenses incurred in managing the Fund may be paid out of the assets of the Fund in addition to payment of the investment management fee. In addition, in the event that the Investment Manager is unable to pay the Fund's recoverable expenses, these expenses may be paid out of the assets of the Fund. Please refer to 'Recoverable expenses' and 'Extraordinary expenses' below (Additional explanation of fees and other costs).



### Example of annual fees and costs for the Fund

This table provides an example of how the ongoing annual fees and costs for the Bitcoin Interests can affect your investment over a 1-year period. You should use this table to compare this product to other managed investment schemes.

EXAMPLE: DigitalX Bitcoin ETF		Balance of \$50,000, with a contribution of \$5,000 during the year
Contribution fees	\$0 if you are not an Authorised Participant; or  \$200 if you are an Authorised Participant	For every additional \$5,000 you put in, you will be charged:  \$0 if you are not an Authorised Participant; or  \$200 if you are an Authorised Participant
<b>PLUS</b> Management fees and costs *	0.49% p.a.	<b>And</b> , for every \$50,000 you have in the Fund you will be charged \$245 each year.
<b>PLUS</b> Performance fees	Nil	<b>And</b> , you will be charged \$0 in performance fees each year
<b>PLUS</b> Transaction costs	Nil	<b>And</b> , you will be charged or have deducted from your investment \$0 in transaction costs
<b>EQUALS</b> Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged fees of:  \$245 if you are not an Authorised Participant.**  \$445 if you are an Authorised Participant.**  <b>What it costs you will depend on the investment option you choose and the fees you negotiate.</b>

\* Management fees and costs are charged on your investment amount and any contribution made during the year. This example assumes the \$5,000 contribution occurs at the end of the first year, so that management costs are calculated using the \$50,000 balance only. Please note that this example does not capture all the fees and costs that may apply to you such as brokerage fees.

\*\* Additional fees may apply:

**And**, if you redeem via the Bitcoin Sale Method, you may be charged a **buy-sell spread** of 0.50% of any sale proceeds payable (\$250 for every \$50,000 you redeem via the Bitcoin Sale Method).

**And**, if you leave the managed investment scheme, you may also be charged a withdrawal fee of \$200 (or \$500 if you trade via the Bitcoin Sale Method). The withdrawal fee is only charged to Authorised Participants and is not charged to Holders who sell Bitcoin Interests on the ASX.

### Additional Explanation of fees and costs

#### Management Fees and Costs

The management fees and costs of the Fund is expressed as a percentage of the Fund's Net Asset Value. The management fees and costs are made up of investment management fees, estimated indirect costs as well as recoverable expenses.

#### Investment management fee

A fee of 0.49% p.a. of the Net Asset Value of the Fund is accrued daily and paid from the Fund monthly in arrears and reflected in the Bitcoin Interest price.

#### Indirect costs

Indirect costs are generally any amount the Responsible Entity knows or estimates will reduce the Fund's returns that are paid from the Fund's assets. As of the date of this PDS, there are no indirect costs estimated.

#### Recoverable expenses

Ordinary fees and expenses relating to the operation of the Fund such as, but not limited to, administration, unit register, custody, establishment and audit Fund expenses are a recoverable expense and may be charged to the Fund. As at the date of this PDS, recoverable expenses incurred in managing the Fund will generally be paid by the Investment Manager. Should the Investment Manager be unable to pay the recoverable expenses, these expenses may be paid out of or recovered from the assets of the Fund as and when they are incurred.

#### Extraordinary expenses

The Responsible Entity is permitted to recover expenses and costs from the Fund other than those referred to in the fees sections above. This may include costs incurred in relation to the establishment and operation of the Fund in addition to expenses which are not expected to be incurred on a regular basis such as but not limited to holding investor meetings, tax and legal costs; preparation of disclosure documents and overheads are included as recoverable expenses. Such expenses and costs may be paid out of or recovered from the Fund as and when they are incurred.

#### Application and redemption fees for Authorised Participants

**Note: No application fees or redemption fees are payable by investors who buy and sell Bitcoin Interests on the Exchange. However, brokerage charges may apply.**

Application fees will only be payable by Authorised Participants on an application for Bitcoin Interests directly with the Fund. Redemption fees will be payable by all Holders on a redemption of Bitcoin Interests directly with the Fund.

The application fee and redemption fee applicable to the Fund are set out above. The \$200 application fee and \$200 redemption fee are paid to the Fund (and not the Responsible Entity). The variable fees on cash redemptions are applied by the Responsible Entity to pay for the transaction costs associated with the cash redemption.

The application fees and redemption fees seek to ensure that the transaction costs associated with applications and redemptions are borne by the transacting person and not by other investors.

#### Brokerage fees

When buying and selling Bitcoin Interests via the ASX market, you are likely to incur brokerage fees and charges from your stockbroker.

#### Transaction Costs

The Fund may incur transaction costs such as brokerage, settlement costs, clearing costs and government charges when assets are bought and sold in the Fund. This generally happens when the assets of the Fund are changed in connection with day-to-day trading or when there are applications or withdrawals which cause net cash flows into or out of the Fund.

Transaction costs which are incurred other than in connection with applications and withdrawals arise through the day-to-day trading of the Fund's assets and are reflected in the Fund's Bitcoin Interest price. As

these costs are factored into the NAV of the Fund and reflected in the Bitcoin Interest price, they are an additional implicit cost to the investor and are not a fee paid to the Responsible Entity.

The transactional costs are estimated to be nil% p.a. Transactional costs will include trading costs incurred when transacting with the Coinbase trading account and costs attached to currency trading. The impact of these transactional costs will be largely dependent on the growth in assets of the Fund.

### Buy-sell spread

As at the date of this PDS, the Responsible Entity only charges a buy-sell spread for redemptions via the Bitcoin Sale Method. A buy-sell spread of 0.50% is expected to apply to all redemptions via the Bitcoin Sale Method. The amount of the buy-sell spread is deducted from the sale proceeds payable to the Holder and retained by the Responsible Entity. The buy-sell spread is intended to reimburse the Responsible Entity for costs incurred in arranging the sale of the underlying Bitcoin. Holders also pay the Redemption Fee upon redemption via the Bitcoin Sale Method.

### Can the fees change?

Yes, all fees can change without investor consent, subject to the maximum fee amounts specified in the Constitution. At least 30 days' notice will be given if there is any proposed change to the management fees. The Fund's constitution defines the maximum that can be charged for fees described in this PDS.

### Differential Fees

The Responsible Entity may negotiate different fees with investors who are 'wholesale clients' under the Corporations Act 2001. Accordingly, the Responsible Entity may waive or rebate some of its fees to these 'wholesale clients' so that they pay reduced fees but this is ultimately at the Responsible Entity's discretion, subject to the Corporations Act 2001 and ASIC Corporations (Registered Schemes—Differential Fees) Instrument 2017/40. The Responsible Entity cannot enter into individual fee arrangements with other investors. Please contact the Responsible Entity if you require further details on negotiating fees.

### Taxation

Please refer to Section 08 of this PDS for further information on taxation.

## 08 How managed investment schemes are taxed

### Introduction

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

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

The Australian Taxation Office (**ATO**) actively encourages issuers of financial products to apply for a product ruling for financial products before offering products to the public. A product ruling was not sought for this product. It is also possible for Holders to obtain certainty regarding the tax treatment of this product by applying for a private ruling from the

ATO. Holders should seek independent professional taxation advice in relation to their own particular circumstances before making any investment decision, including whether it is appropriate to apply for a private ruling regarding the tax treatment of this product.

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

### Preliminary comments - Absolute entitlement

The Fund is established as a bare trust arrangement.

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

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

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

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

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

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

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

If the principles in the ATO's draft public ruling are applied to the Separate Trusts of the Fund, it is likely that the ATO would treat a Holder as being absolutely entitled to the Bitcoin where a Holder transfers Bitcoin from their own wallet to the Custodian to be held under this product or if the Holder requests the Responsible Entity to transfer Bitcoin back into their wallet. This is because Bitcoin is fungible and is used as a vehicle for monetary exchange. Further, the investment is liquid and a Holder may at all times call for their share of the Bitcoin held by the Custodian to be transferred to them or as they direct. Finally, there is a clear understanding on the part of all Holders that each Holder is entitled to a specific amount of the Bitcoin held by the Custodian on behalf of Holders who invest under this PDS.

Since the ATO's draft public ruling on absolute entitlement was released in 2004,<sup>1</sup> a number of Australian cases have discussed the concept of absolute entitlement. These cases may raise concerns as to whether a bare trust or custodial holding can satisfy the requirements of absolute entitlement. For example, the Federal Court in *CPT Custodian Pty Ltd v Commissioner of State Revenue (2005) 224 CLR 98* recently suggested that in some circumstances a trustee's statutory power of indemnity may defeat absolute entitlement.

### Administrative treatment of bare trusts

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

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

### Taxation reform – Cryptocurrency not a 'foreign currency'

On 22 June 2022, the Australian Government published a joint media release stating that Parliament would introduce legislation to exclude crypto-assets such as Bitcoin from being treated as a foreign currency for Australian income tax purposes (**Media Release**).

Subsequent to the Media Release, Parliament has passed 'Treasury Laws Amendment (2022 Measures No. 4) Act 2022, Schedule 2 Taxation treatment of digital currency' which clarifies that digital currencies such as Bitcoin continue to be excluded from the income tax treatment of foreign currency. This was in response to El Salvador (and other countries) recognising Bitcoin as legal tender. It appears that the amendment aims to ensure that Bitcoin continue to be subject to the CGT rules if they are capital assets in the hands of the taxpayer, rather than the Foreign Currency Rules.

On 8 December 2021, the Treasurer announced as part of a broader response to a review of Australia's payment system and the regulation of digital assets, that the Federal Government would task the Board of Taxation (**Board**) with undertaking a review into the appropriate policy framework for the taxation of digital transactions and assets such as cryptocurrency. As a result, the Federal Government released the terms of reference for this review by the Board. The Board released '*Review of the tax treatment of digital assets and transactions: Consultation guide*' in August 2022 which reiterates the current tax treatment of crypto assets generally and poses a series of questions for interested stakeholders to consider when formulating input to the review.

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

### Bitcoin Interests - Revenue or capital account

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

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

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

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

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

### Creation Request to acquire a Bitcoin Interest

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

### Revenue account holders

#### Disposal or redemption of a Bitcoin Interest

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

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

#### Sale of Forked Assets

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

#### Fees and expenses

Holders will be charged a Management Fee. If a Holder holds a Bitcoin Interest on revenue account then fees and expenses incurred in holding

<sup>1</sup> Please refer to the draft public ruling TR 2004/D25 issued on 15 December 2004.

the Bitcoin Interest should be deductible as ordinary expenses.

The Management Fee will accrue daily and is payable monthly. This transfer may crystallise a gain or loss on the partial disposal of the Bitcoin Entitlement. If it does crystallise a gain this could be offset against the deductible Management Fee.

### Capital account Holders

#### Disposal or redemption of a Bitcoin Interest

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

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

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

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

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

#### Disposal through secondary market

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

#### CGT discount

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

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

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

#### Sale of Forked Assets

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

### Authorised Participants

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

### Foreign exchange gains/losses

Division 775 of the 1997 Act provides rules on the recognition, timing and measurement of foreign exchange gains and losses. Subject to a number of exceptions and elections, foreign exchange gains and losses are generally assessed to a taxpayer on revenue account.

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

### Alternative tax treatment

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

- The Separate Trust would be recognized for tax purposes. As a result, the trustee of the Separate Trust would be required to file tax returns in respect of the Holder's investment. Further, the Holder would be subject to tax under Division 6 of the 1936 Act on the net income of the trust, to the extent that the Holder is presently entitled to the income of the Separate Trust.
- A taxing event may happen to the Holder when the trustee of the Fund subsequently transfers the Bitcoin to the Holder.
- Similarly, a taxing event may happen to the trustee of the Separate Trust if the Holder takes delivery of the Bitcoin on redemption.
- The Separate Trust and the Fund may be subject to taxation if the Holder requests cash via the Bitcoin Sale Method.
- Any loss made in respect of the investment in Bitcoin may be trapped in the Separate Trust.

There may be other tax consequences for the Holder if the alternative tax treatment applies. Holders should seek their own independent tax advice if they are no longer absolutely entitled to the Bitcoin held in Separate Trusts.

### Part IVA of the 1936 Act

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

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

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

Holders should discuss the potential application of Part IVA of the 1936



Act with their own tax adviser.

### Rulings

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

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

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

### Taxation of financial arrangements

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

### Goods and Services Tax (GST)

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

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

### Stamp duty

It is not expected that the Fund will hold any interests in land, physical assets or business assets (intangible or otherwise) in Australia (whether directly or indirectly) but rather it will only hold Bitcoin. Accordingly, the transfer of Bitcoin Interests should not attract stamp duty.

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

### General tax gross up

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

## 09 How to transact on your investment

**NOTE: Only Authorised Participants may apply for Bitcoin Interests directly through this PDS. Accordingly, the material below that relates to applications for Bitcoin Interests is of direct relevance to such persons only.**

Other investors may buy and sell Bitcoin Interests by trading on the Exchange through a stockbroker, or via a financial adviser, and may redeem Bitcoin Interests directly with the Responsible Entity.

Prior to being issued Bitcoin Interests, an Authorised Participant must execute an Authorised Participant Agreement that deals with, amongst other things, the rights and obligations of the Authorised Participant in relation to applying for Bitcoin Interests.

To effect an application or redemption, the Application Form or Redemption Form must be completed.

### Acquisition and disposal of Bitcoin Interests

#### Minimum applications and redemptions

The minimum application amount for Authorised Participants is 1 Creation Unit Amount, unless otherwise agreed with the Responsible Entity.

There is no minimum redemption amount for any Holder, however, a redeeming Holder must pay any redemption fees specified in Section 07 of this PDS regardless of the amount of Bitcoin Interest being redeemed.

#### Processing applications and redemptions

Application and Redemption forms may only be lodged on a day that is an Exchange Business Day.

Application Forms or Redemption Forms validly completed and received before the Dealing Deadline on an Exchange Business Day are processed at the Issue Price or Redemption Price (being the Net Asset Value per Bitcoin Interest) for the Fund applicable to that day.

Application Forms or Redemption Forms validly completed and received after the Dealing Deadline on an Exchange Business Day, or on a day that is not an Exchange Business Day, will be treated as being received on the next Exchange Business Day.

By signing an Authorised Participant Agreement, an Authorised Participant agrees to be bound by certain execution and settlement procedures in relation to applications for and redemptions of Bitcoin Interests which are set out in the Authorised Participant Agreement.

The procedures allow the Responsible Entity to (amongst other things) cancel an application or redemption in certain circumstances. The Responsible Entity may also reject any application in whole or in part at any time, without giving reasons.

#### Payment of application and redemption amounts

Applications for Bitcoin Interests will generally be made by way of payment in cash in Australian dollars, unless the Responsible Entity agrees otherwise. Redemptions of Bitcoin Interest will generally be made by way of payment in cash in Australian dollars or in Bitcoin as described below.

#### Redemption Procedures

All Holders can redeem their Bitcoin Interests directly with the Fund by using the Bitcoin Delivery Method or the Bitcoin Sale Method (each as described below).

Investors who wish to redeem must:

- complete a redemption form which is available at [www.digitalx.com](http://www.digitalx.com);
- satisfy any applicable AML/KYC requirements as advised by the Responsible Entity;

- if the Holder elects the Bitcoin Delivery Method, nominate appropriate custodial arrangements as specified by the Responsible Entity; and
- pay any applicable fees and costs (see Section 07 of this PDS).

Upon receipt of a valid redemption request, the Responsible Entity will do everything necessary to process the redemption request. Bitcoin Interests subject to a redemption request cannot be transferred.

A redemption request is valid only if:

- the redemption form is complete and contains all information required;
- it is given by the person who, in the knowledge or reasonable opinion of the Responsible Entity, is the registered holder of the corresponding Bitcoin Interest, and
- any applicable fee has been received by the Responsible Entity.

The Responsible Entity may in its absolute discretion determine whether a redemption request is valid and will promptly notify the Holder if a redemption request is invalid. In such cases the Holder must lodge a new and valid redemption request in respect of those Bitcoin Interests. Redemption requests lodged after 4.00pm on a Business Day will be treated as having been lodged on the next Business Day. Subject to the Corporations Act and the ASX Operating Rules, a redemption request for Bitcoin Interests may not be revoked without the consent of the Responsible Entity.

Following completion of a redemption:

- each Bitcoin Interest included in the redemption request will be cancelled; and
- each Separate Trust associated with those Bitcoin Interests will be dissolved.

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

Settlement of Bitcoin Interests redeemed with the Responsible Entity will generally occur on the second Exchange Business Day after the redemption date.

### Bitcoin Delivery Method

The Bitcoin Delivery Method is appropriate for Holders who wish to redeem Bitcoin Interests and receive their underlying Bitcoin (rather than cash).

Where a Holder lodges a redemption request for the Bitcoin Delivery Method, they must nominate a digital wallet into which the Responsible Entity will arrange for delivery of the underlying Bitcoin. The Holder must prove ownership of this digital wallet to the satisfaction of the Responsible Entity and have completed all know your client and anti-money laundering checks as may be requested by the Responsible Entity.

The Bitcoin will be transferred to the digital wallet nominated by the Holder and such transfer shall settle the Responsible Entity's obligations in respect of the relevant Bitcoin Interests.

In order to manage operational risk for Holders electing the Bitcoin Delivery Method, the Responsible Entity may require Holders to nominate a digital wallet associated with the Custodian.

Upon transfer of the underlying Bitcoin to the Holder, legal title to the Bitcoin and all risk in and relating to the Bitcoin passes to the Holder.

The Responsible Entity is not responsible or liable for any theft, loss, inability to recover or damage whatsoever that occurs to the Bitcoin after such transfer, including where the Holder has supplied the Responsible Entity with an incorrect wallet address.

To the extent there are any cash holdings associated with the Bitcoin Interests being redeemed pursuant to the Bitcoin Delivery Method, a cash payment will be made to the Holder's nominated bank account.

If the Holder elects the Bitcoin Delivery Method but through no fault of the Responsible Entity the Bitcoin is not delivered to the Holder within one calendar month of the redemption request being accepted (for example, where the Holder fails to nominate a wallet address acceptable to the Responsible Entity), the Holder is deemed to elect for the Bitcoin Sale Method to apply.

### Bitcoin Sale Method

The Bitcoin Sale Method is appropriate for Holders who wish to redeem Bitcoin Interests and receive cash (rather than their underlying Bitcoin).

Redemptions for the Bitcoin Sale Method will follow the same procedures as the Bitcoin Delivery Method except that the Responsible Entity will sell the underlying Bitcoin of the Bitcoin Interest being redeemed and will pay those funds to the investor (less any fees and sell spread as described in Section 07 of this PDS and plus any other cash holdings associated with the Bitcoin Interests) in Australian dollars to the Australian domiciled, AUD denominated bank account nominated by the Holder.

If the Bitcoin Sale Method applies:

- the Responsible Entity is irrevocably authorised as agent of the Holder to procure that the underlying Bitcoin in respect of the Bitcoin Interests being redeemed is sold for and on behalf of the Holder;
- the Holder irrevocably directs the Responsible Entity to procure the sale of the Bitcoin at the current market price at the time of the disposal, and the Holder irrevocably directs and authorises the Responsible Entity or any of its nominees to take all action necessary or desirable to effect the sale by the Responsible Entity of the Bitcoin;
- the Responsible Entity will pay the sale proceeds as soon as reasonably practicable to the Holder as instructed by the Holder in the redemption request and the Holder acknowledges and agrees that:-
- the Responsible Entity agrees to procure the sale of the Bitcoin on behalf of the Holder, as agent for the Holder, at the price achieved in the spot market;
  - the Holder agrees to accept the price obtained by the Responsible Entity in accordance with this PDS and the Constitution and to sell its Bitcoin at that price;
  - the Responsible Entity makes no representations or warranties as to the price at which the Bitcoin will be sold or the amount of the sale proceeds;
  - to the maximum extent permitted by law, the Responsible Entity is not responsible or liable for any loss, costs or expense incurred by or on behalf of the Holder as a result of the sale of the Bitcoin on behalf of the Holder, except to the extent that such loss, cost or expense arises as a result of the Responsible Entity's gross negligence, default, fraud or dishonesty, and



- when the Responsible Entity transfers the sale proceeds to the Holder, the Responsible Entity will have discharged all of its obligations to the Holder and the Holder will cease to have any right, title or interest in respect of the redeemed Bitcoin Interest, the Responsible Entity or the Fund (other than in respect of other Bitcoin Interests that were not redeemed, and any other rights that survive termination of membership, if any).

### Compulsory Redemption

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

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

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

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

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

Where practicable, prior to the compulsory redemption date the Responsible Entity will request the Holder or Holders to provide a valid redemption request within such time as the Responsible Entity in its discretion may specify. If following notice from the Responsible Entity to a Holder or Holders, the Holder or Holders fails to provide any information requested by the Responsible Entity by 5.00 p.m. two Business Days prior to the compulsory redemption date, or if the Responsible Entity

determines it is not practicable to provide the Holder with notice, then either the Bitcoin Sale Method or the Bitcoin Delivery Method will apply in accordance with the instructions provided by the Holder, or if no instructions are provided then the Bitcoin Sale Method will apply.

By purchasing the Bitcoin Interests the Holder is deemed to have instructed the Responsible Entity to apply the Bitcoin Sale Method for the purposes of compulsory redemption, unless the Holder otherwise instructs the Responsible Entity as described below.

A Holder may change the above instructions and request the Bitcoin Delivery Method instead for the purposes of compulsory redemption by providing written notice at least five Exchange Business Days prior to the relevant compulsory redemption date, and paying, providing that they have the appropriate Bitcoin wallet and will pay any applicable fees.

### Suspension of Redemptions

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

- it is impracticable for the Responsible Entity to calculate the Net Asset Value (which may include during a Fork);
- quotation of Bitcoin Interests is suspended, halted or revoked or the Responsible Entity's approval as a ASX product issuer is suspended or revoked.

### Redemptions during trading suspensions and other circumstances

Holders who have acquired Bitcoin Interests on the ASX may normally sell their Bitcoin Interests by trading on the ASX. If trading on the ASX is suspended or otherwise unavailable Holders may also redeem using the Bitcoin Sale Method or Bitcoin Delivery Method, unless:

- the Fund is being wound up;
- the Fund is not 'liquid' as defined in the Corporations Act; or
- the Responsible Entity has suspended redemptions in accordance with the Constitution.

### Complaints resolution

The Responsible Entity has an established complaint handling process and is committed to properly considering and resolving all complaints. If you have a complaint about your investment, please contact K2.

By telephone: 03 9691 6111;

By post: K2 Asset Management  
Level 44, 101 Collins Street  
Melbourne VIC 3000; or

by email: [compliance@k2am.com.au](mailto:compliance@k2am.com.au).

We will acknowledge receipt of the complaint within 1 Business Day (or as soon as reasonably practicable) of receiving the complaint. We will seek to resolve your complaint as soon as practicable but not more than 30 days after receiving the complaint.

If you are not satisfied with our response, you may be able to lodge a complaint with the Australian Financial Complaints Authority (AFCA):

online at [www.afca.org.au](http://www.afca.org.au)

by telephone: 1800 931 678;

by email: [info@afca.org.au](mailto:info@afca.org.au); or

by post: GPO Box 3, Melbourne VIC 3001.

Please quote the Responsible Entity's AFCA membership number: **12481**. If investing through an IDPS, you should contact the IDPS operator for their complaint processes.

## 10 ASX AQUA Rules

As the Fund has been admitted to trading status on the ASX market under the ASX AQUA Rules framework, this PDS is required to set out the key differences between the ASX Listing Rules and the ASX AQUA Rules. These differences are set out below, and generally relate to the level of control and influence that the issuer of a product has over the underlying instrument.

Requirement	ASX Listing Rules	ASX AQUA Rules
Continuous Disclosure	Issuers of products under the Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act.	<p>The Responsible Entity, as an issuer of a product under the ASX AQUA Rules, will not be subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.</p> <p>However, under the ASX AQUA Rules, the Responsible Entity must provide ASX with information where the non-disclosure of that information may lead to the establishment of a false market in the Fund's Bitcoin Interests or would materially affect the price of the Fund's Bitcoin Interests.</p> <p>The Responsible Entity is required to disclose information about the NAV per Bitcoin Interest daily. The Responsible Entity must also disclose information about:</p> <ul style="list-style-type: none"> <li>– net monthly applications and redemptions;</li> <li>– dividends, distributions and other disbursements;</li> <li>– any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act; and</li> <li>– any other information that would be required to be disclosed to the ASX under section 323DA of the Corporations Act if the Bitcoin Interests were admitted under the ASX Listing Rules.</li> </ul> <p>The Responsible Entity will make any required disclosures through the ASX Market Announcements Platform at the same time as it is disclosed to ASIC.</p>
Periodic Disclosure	Issuers of products under the ASX Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.	<p>The Responsible Entity, as an issuer of a product under the ASX AQUA Rules, is not required to disclose half yearly and annual financial information or reports.</p> <p>However, the Responsible Entity is still required to lodge with ASIC financial reports required under Chapter 2M of the Corporations Act.</p>
Corporate Control	Listed companies and listed managed investment schemes are subject to requirements in the Corporations Act and the ASX Listing Rules relating to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings.	<p>As products quoted under the ASX AQUA Rules are not shares in companies, the issuers of such products are not subject to the corporate governance requirements under the Corporations Act and the ASX Listing Rules.</p> <p>However, the Responsible Entity, as an issuer of a product quoted under the ASX AQUA Rules, is subject to the general requirement to provide ASX with information concerning itself that may otherwise lead to the establishment of a false market or materially affect the price of its products. Section 601FM of the Corporations Act will continue to apply to the Responsible Entity in relation to the removal of a responsible entity of a registered managed investment scheme by Holders.</p>
Related Party Transactions	Chapter 10 of the ASX Listing Rules specifies controls over related party transactions (which relate to transactions between an entity and other people in a position to influence the entity).	Chapter 10 of the ASX Listing Rules does not apply to AQUA Products, such as the Fund's Bitcoin Interests. However, as the Fund is a registered managed investment scheme, it is still subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.
Auditor Rotation Obligations	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	<p>The Responsible Entity, as an issuer of a product quoted under the ASX AQUA Rules, will not be subject to the requirements of Part 2M.4 Division 5 of the Corporations Act.</p> <p>However, the Responsible Entity will continue to be required to undertake an independent audit of its compliance with the Fund's compliance plan in accordance with section 601HG of the Corporations Act and the auditor must not be the auditor of the Responsible Entity's financial statements (although they may be from the same firm).</p>

### Consolidation of Bitcoin Interest prices

Should there be an ASX requirement to consolidate Bitcoin Interests of the Fund, the Fund's constitution has a general provision to allow the Responsible Entity to consolidate the Bitcoin Interest price of the Fund.

## 11 The Fund's service providers

The following service providers to the Fund are not responsible for the preparation of this PDS or the activities of the Fund and therefore accept no responsibility for any information contained in this PDS.

The Responsible Entity of the Fund monitors the compliance of all of the following service providers with their contractual obligations through receipt of compliance certifications, performance reviews and audit activity performed by KPMG.

### The Prime Broker

#### Coinbase, Inc. and Coinbase Custody International Limited

Coinbase, Inc. and Coinbase Custody International Limited (collectively referred to as 'Coinbase Prime') are based in the United States of America, provides prime brokerage services to the Fund under a prime brokerage agreement. These services may include margin financing, clearing, settlement, Bitcoin borrowing and foreign exchange facilities.

The Fund deals with Coinbase Prime mostly through its London office. The Fund may also utilise other members of the Coinbase group of companies and other brokers for executing transactions for the Fund.

Coinbase Prime also provides a custody service for those investments for the Fund held by Coinbase Prime in accordance with the prime brokerage agreement, custody agreement and the rules of the US regulators.

#### Identification and segregation of Fund assets

In accordance with the US regulator rules, Coinbase Prime will identify, record and hold the Fund's Bitcoin investments so that they are separately identifiable from Coinbase Prime's other investments. The Fund will hold Bitcoin in both a trading account and a custody account. Bitcoin held in the custody account is segregated from other clients and is held in the name of the Fund. Bitcoin held in the trading account is not segregated from other Coinbase clients.

#### Collateral may not be segregated

Investments which constitute collateral for the purposes of the US regulator rules may not be segregated and may be available to creditors of the Coinbase group. The law or market practices in some jurisdictions outside of Australia and the United States of America may require that investments are registered in the name of the prime broker (rather than a custodian), in which case such investments will not be segregated from Coinbase Prime's own assets and, in the event of Coinbase Prime's default, may not be as well protected. Cash held by Coinbase Prime or its related entities will not be segregated. Coinbase has a security interest in the trading account and custody account to secure the repayment of costs, fees and all other obligations of the Fund. Coinbase also have a first ranking security interest in both the trading account and custody account to secure the repayment of all amounts owing under the Prime Finance Agreement.

#### Borrowing of Fund assets

The Prime Finance Agreement is a short-term lending facility that is provided to the Fund by Coinbase Credit, LLC. The Fund may receive application monies in circumstances where it is required to transfer those monies to Coinbase Prime to purchase a corresponding amount of Bitcoin. As this is an international transfer, it may result in delays which affects the Fund's ability to execute applications. In order to facilitate applications, the Fund may use the lending facility to purchase Bitcoin which corresponds to applications received. The facility will be repaid when monies relating to such applications have been received by Coinbase Prime. The term of such lending arrangements is usually 24-48 hours. Coinbase Prime will have a first ranking security interest in both the trading account and custody account to secure the repayment of all

amounts owing.

#### Contractual relationship

Consistent with typical industry practice, the liability of Coinbase Prime and its related parties is limited to circumstances involving its own negligence, wilful default or fraud, and Coinbase Prime benefits from a limited indemnity from the Fund. Coinbase Prime can be replaced by K2 with written notice. Various notice periods will apply depending on the circumstances for termination of the contract.

#### The Custodian

##### Coinbase Custody Trust Company LLC

The Fund will be trading Bitcoin with the Coinbase trading account (in relation to creations and redemptions of Bitcoin Interests) on behalf of the Fund. Coinbase is licensed by the State of New York as a qualified custodian of digital assets and provide segregated and auditable custody accounts. Coinbase is subjected to the same capital reserve requirements and compliance standards of a traditional financial institution that is regulated as a New York State Trust Company. Coinbase maintains SOC 1 Type II and SOC 2 Type II audits by Deloitte & Touche. The Fund will aim to keep at least 80% of its Bitcoin holdings in cold storage. The Responsible Entity may use other custodians for the Fund's Bitcoin if it deems it prudent to mitigate risk.

#### The Administrator

##### Apex Fund Services Pty Ltd

Apex has been appointed to act as the administrator of the Fund. The Responsible Entity and Apex have entered into an agreement for administrative services for the Fund that sets out Apex's role as administrator, including its rights and obligations and the limits on its liability.

Responsibilities of Apex include:

- calculating the NAV and Bitcoin Interest price for the Fund;
- preparing unaudited financial statements for the Fund in accordance with international financial reporting standards; and
- providing certain other administrative services.

Apex's obligations to the Fund are limited to the provision of services to the Responsible Entity, and Apex has not undertaken any obligations to Holders.

#### The Registry

##### Automic Pty Ltd

Automic Pty Ltd (**Automic** or **Registry**) to act as the Registry of the Fund. The Responsible Entity and Automic have entered into an agreement that sets out Automic's role as the Registry provider, including its rights and obligations and the limits on its liability.

Responsibilities of Automic include:

- maintaining the Fund's register of Bitcoin Interest Holders, and;
- providing certain other administrative services.

#### Authorised Participants

The Responsible Entity has entered into an Authorised Participant Agreement with an eligible Authorised Participant.

The primary function of an Authorised Participant under an Authorised Participant Agreement is to facilitate the creation and redemption of Bitcoin Interests, as a trading participant authorised by the Exchange, by issuing Bitcoin Interest creation or redemption requests to the Responsible Entity.

The Responsible Entity may enter into Authorised Participant Agreements with additional eligible Authorised Participants. An Authorised Participant may also be appointed to act as market maker under a separate market making agreement with the Responsible Entity.

#### Market Maker

The Responsible Entity has appointed a market maker for the Fund. All

obligations and rights pertaining to the Market Maker are set out in the market making agreement.

The Market Maker is a ASX participant and has agreements with the Exchange to act as a market maker. Subject to the ASX Operating Rules, the Responsible Entity may replace the Market Maker for the Fund or appoint additional market makers.

The Market Maker will quote the bid ask spread based on the NAV of the Fund, taking into account the reasonable cost of the Market Maker in posting liquidity, and in accordance with the ASX liquidity requirements. Under the market making arrangements, the Market Maker will generally retain for its own account any trading profit or bear any loss generated by its market making activities.

### Appointment of New Service Providers

The Responsible Entity may remove the Fund's Custodian, Administrator or Registry and appoint a replacement at any time without notice to investors. Changes to a key service provider will be disclosed to investors in the Fund's periodic disclosures.

## 12 Information for New Zealand Investors

### Warning Statement

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is sub-part 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of a financial advice provider.

The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from

financial product markets that operate in New Zealand.

The dispute resolution process described in this offer document is available only in Australia and is not available in New Zealand.

### Taxation

If a New Zealand resident wishes to invest in Australia, we strongly recommend that you seek independent tax advice. New Zealand resident investors will be taxed on their Bitcoin Interests under the foreign investment fund rules or ordinary tax rules, depending on their circumstances. Australian tax will be withheld at prescribed rates from distribution to non-residents to the extent that the distributions comprise relevant Australian sourced income or gains.

## 13 Additional information

### CHES

The Fund uses the ASX Clearing House Electronic Sub-Register System (CHES). Settlement through CHES ensures investors' transactions are settled in two days (T+2).

### ASX conditions of admission

As part of the Fund's conditions of admission to trading status on the ASX market, the Responsible Entity has agreed to:

- make available half year and annual financial reports, distribution information and other required disclosures on the ASX Market Announcements Platform; and
- provide the iNAV as described in this PDS.

### ASIC relief

#### Class Order Relief - Ongoing Disclosure

ASIC has granted Class Order relief (CO 13/721) under section 1020F(1)(a) of the Corporations Act from the ongoing disclosure requirements in section 1017B on the condition that the Responsible Entity complies with the continuous disclosure requirements in section 675 of the Corporations Act as if the Fund was an unlisted disclosing entity. The Responsible Entity will comply with these continuous disclosure requirements of the Corporations Act as if the Fund was an unlisted disclosing entity.

#### Class Order Relief - Periodic Statements

ASIC has granted relief under Class Order 13/1200 which exempts the Responsible Entity from certain periodic statement requirements. In particular, we are not required to include purchase or sale price information or return on investment information where we are unable to determine such information provided we explain why this information is not included and how it can be obtained or calculated. In addition, Class Order 13/1200 requires us to report in the periodic statement whether the Fund has met its investment objective.

### Privacy

You should also read the important information about how the Responsible Entity's privacy policy works, before making a decision. Please read the Responsible Entity's Privacy Policy, which can be downloaded at [www.k2am.com.au](http://www.k2am.com.au).

### Holder meetings and voting

Holder meetings are to be held in accordance with the Constitution and the Corporations Act. The Responsible Entity may convene and conduct a meeting at any time and must do so if required under the Corporations Act. Holders' rights to request a meeting are contained in the Corporations Act.



Votes are by show of hands unless a poll is validly demanded or required under the Corporations Act. Holders of Bitcoin Interests have the same voting rights.

### Removal and retirement of Responsible Entity

Holders do not have a right to remove K2 as the responsible entity except as provided by the Corporations Act. Subject to the ASX AQUA Rules and the ASX Listing Rules, the Responsible Entity may retire in accordance with the Corporations Act and the Constitution and must retire when required under the Corporations Act.

### Duration of the Fund

The Fund will continue until terminated, subject to the Corporations Act, and ASX Operating Rules (as applicable) either as required by operation of law or by the Responsible Entity on a date specified in a notice given to Holders.

On termination of the Fund, the Responsible Entity must distribute the assets of each Separate Trust to the respective Holders on the termination date. Any proper expenses of termination and winding up will be deducted from the net proceeds of realisation before being distributed to Holders.

### Anti-Money Laundering and Counter Terrorism Financing ('AML/CTF')

Australia's AML/CTF laws require the Responsible Entity to adopt and maintain a written AML/CTF Program. A fundamental part of the AML/CTF Program is that up-to-date information must be maintained about investors (including beneficial owner information).

To meet this legal requirement, we may need to collect certain identification information (including beneficial owner information) and documentation ('KYC Documents') from new investors. Existing investors may also be asked to provide KYC Documents as part of an ongoing customer due diligence/verification process to comply with AML/CTF laws.

In order to comply with AML/CTF laws, the Responsible Entity may also disclose information including your personal information that it holds about the applicant, an investor, or any beneficial owner, to its related bodies corporate or service providers, or relevant regulators of AML/CTF laws (whether inside or outside Australia). We may be prohibited by law from informing applicants or investors that such reporting has occurred.

The Responsible Entity shall not be liable to applicants or investors for any loss you may suffer because of compliance with the AML/CTF laws.

### Entitlement to fees and expenses

The Responsible Entity is entitled to be paid the fees as provided for in the Constitution and to recover expenses from Fund assets that are incurred by it in performing its role in connection with the Fund, subject to the proper performance of its duties.

In addition to any fee specified in the Constitution, if K2 Asset Management Ltd is removed as the responsible entity of the Fund or retires as responsible entity of the Fund at the request by the Investment Manager or Holders and the Fund is taken in-house with the Investment Manager or transferred to another responsible entity or trustee at any time, the Investment Manager must give K2 6 months' notice in writing or the equivalent responsible entity fees for that period (except where the removal or transfer is due to a material breach of the Investment Management Agreement by K2, in which case only 7 Business Days' notice is required) and pay K2 the additional costs associated with the transfer.

### The Compliance Plan

The Responsible Entity has prepared and lodged a Compliance Plan for the Fund with ASIC. The Compliance Plan describes the systems and

processes used by the Responsible Entity to comply with the Corporations Act, the Constitution and the ASX Operating Rules.

An audit of the Compliance Plan will be undertaken on an annual basis by the Fund's Compliance Plan Auditor. An audit report is prepared and lodged with ASIC providing an opinion as to whether the Responsible Entity has complied with the Compliance Plan throughout the year and if the Compliance Plan continues to comply with the requirements of the Corporations Act and other relevant laws.

A copy of the Compliance Plan is available from the Responsible Entity.

### The Investment Management Agreement

The Responsible Entity has entered into the Investment Management Agreement with the Investment Manager. A summary of the material terms of the Investment Management Agreement is set out below.

#### Services

The Investment Manager will invest and manage the assets of the Fund in accordance with the terms of the Investment Management Agreement.

The Responsible Entity has entered into the Investment Management Agreement with the Investment Manager. A summary of the material terms of the Investment Management Agreement is set out below.

#### Limitations

The Investment Manager must not without the prior consent of the Responsible Entity:

- (a) delegate any of its discretionary management powers under the Investment Management Agreement;
- (b) encumber any part of the Fund's assets in any way (other than as arises by lien in the ordinary course of business or by statutory charge);
- (c) perform any broking function in relation to the Fund's assets, but the Investment Manager may, using reasonable care and diligence, on behalf of the Responsible Entity appoint any broker to act in relation to the Fund's assets subject reasonable monitoring of capacity and performance of the broker by the Investment Manager; or
- (d) engage in securities lending in relation to the Fund's assets.

#### Consents

Each of the parties listed below has given, and before lodgement of the paper PDS with ASIC and the issue of the electronic version of this PDS, has not withdrawn its written consent to being named in this PDS and to the inclusion, in the form and context in which it is included, of any information attributable to that party or statements about that party or their role in relation to this PDS. None of the parties listed below has made or purported to make any statement or representation that is included in this PDS or any statement on which a statement made in this PDS is based, except as stated above. None of the parties listed below has authorised or caused the issue of this PDS, does not make any offer of Bitcoin Interests and, to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for any statement in, or omission from, this PDS other than reference to its name and any statement or report included in this PDS with the consent of that party.

Name	Role/Responsible
DigitalX Asset Management Pty Ltd	Investment Manager of the Fund
Automic Pty Ltd	Registry – registrar for the Fund

Apex Fund Services Pty Ltd	Administrator of the Fund
Coinbase Inc. and Coinbase Custody International Limited	Prime Broker of the Fund
Coinbase Custody Trust Company LLC	Custodian of the Fund
KPMG Australia	Auditor of the Fund

### Cooling Off

There is no cooling off period in relation to the subscription for Bitcoin Interests. This means that once an application form is submitted, an applicant cannot decide to withdraw the application.

### Additional information

If and when the Fund has 100 or more direct investors, it will be classified by the Corporations Act as a 'disclosing entity'. As a disclosing entity, the Fund will be subject to regular reporting and disclosure obligations. Investors would then have a right to obtain a copy, free of charge, of any of the following documents:

- the most recent annual financial report lodged with ASIC (**Annual Report**);
- any subsequent half yearly financial report lodged with ASIC after the lodgment of the Annual Report, and;
- any continuous disclosure notices lodged with ASIC after the Annual Report but before the date of this PDS.

The Responsible Entity will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required.

Copies of these documents lodged with ASIC in relation to the Fund may be obtained from ASIC through ASIC's website.

## 14 Terms used in this PDS

**Administrator or Apex** means Apex Fund Services Pty Ltd.

**AFSL** means an Australian Financial Services Licence.

**Airdrop** means a situation in which holders of a specific digital asset may be entitled to a certain quantity of a new digital asset at no consideration just because they own that specific digital asset.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means the Australian Securities Exchange.

**ASX AQUA Rules** refer to the ASX rules that apply to the quotation of financial products such as the Fund's Bitcoin Interests on the ASX market.

**ASX Listing Rules** means the Listing Rules of ASX and any other applicable rules of ASX, modified to the extent of any express written waiver by ASX.

**ASX Operating Rules** means the Operating Rules and Procedures of ASX and any other applicable rules and procedures of the ASX, modified to the extent of any express written waiver by ASX.

**ASX Trading Day** means the day and time during which shares are traded on the ASX market.

**Bitcoin** means a type of cryptocurrency or digital currency within the Bitcoin Network.

**Bitcoin Interest** means an interest in the Fund issued under the terms of this PDS and in accordance with the Constitution pursuant to which the Holder has a beneficial interest in the assets which are held on the Separate Trust in respect of that Bitcoin Interest.

**Bitcoin Network** means the network of computers running the software protocol underlying Bitcoin. This network administers and manages the database of Bitcoin ownership and facilitates the transfer of Bitcoin amongst parties by verifying, validating, and creating new ledger entries in the Blockchain.

**Blockchain** means the technological protocol or ruleset that combines cryptography and economic incentives to enforce collective agreement on information in computer networks. Each computer in the network maintains a copy of the information, only updating it when new information is collectively agreed upon.

**Business Day** means the days identified by ASX upon which settlement occurs.

**CHESS** means the Australian settlement system for products trading on the ASX.

**Constitution** means the constitution under which Bitcoin Interests are created as dated 10 June 2021 and as amended on 12 April 2024.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Creation Unit Amount** means 10,000 Bitcoin Interests.

**Custodian or Coinbase** means Coinbase Custody Trust Company LLC.

**Dealing Deadline** means 4:30 pm Australian Eastern Standard Time.

**Digital Exchanges** markets for exchange that have been organised to facilitate the trading of Bitcoin.

**Exchange** means the ASX.

**Exchange Business Day** means an ASX Trading Day.

**Fork** means when the Bitcoin code changes so drastically that the new version of a blockchain is no longer backward-compatible with previous blocks. In this case, the blockchain divides into two parts: the old blockchain and a new one that adheres to the new set of rules. This results in the creation of a whole new cryptocurrency. Refer to the 2017 Bitcoin Cash fork as the most prominent example.

**Forked Asset** means any digital currency, other asset or right that the Fund may be entitled to without any action of the Fund or the Investment Manager. This includes tokens resulting from an Airdrop.



**Fund** means the DigitalX Bitcoin ETF.

**Gross Asset Value or GAV** means the value of all the assets and liabilities of the Fund, prior to fees.

**GST** means Goods and Services Tax.

**Holder, investor or member** means the registered holder of a Bitcoin Interest.

**IDPS** means investor directed portfolio service.

**Issue Price** means the Net Asset Value divided by the number of Bitcoin Interests on issue in the Fund.

**Long-Term** means five (5) or more years.

**Net Asset Value or NAV** means the Gross Asset Value of the Fund, less all liabilities including fees. (including accrued but unpaid expenses and reasonable reserves).

**Privacy Policy** means the policy of the Responsible Entity which governs how it manages investor privacy.

**RITC** means Reduced Input Tax Credit. The Responsible Entity will apply for reduced input tax credits on behalf of the Fund, where applicable, to reduce the GST cost to the Fund.

**Redemption Price** The Net Asset Value divided by the number of Bitcoin Interests on issue in the Fund.

**Registry** means Automic Pty Ltd.

**Responsible Entity, we or us** means K2 Asset Management Ltd.

**Separate Trust** means each separate trust constituted in respect of each individual Bitcoin Interest under the Constitution.