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ANTICIPATED IMPACT OF THE ETHEREUM MERGE ON GLOBAL X 21SHARES ETHEREUM ETF (TICKER: EETH)

The below FAQs are intended to assist investors in navigating the Ethereum Merge (the “Merge”), reportedly scheduled for approximately 15 September 2022. While we do not expect EETH to be impacted, there is always the risk of unexpected circumstances that could arise over the coming days, weeks or months.

This document contains the following information:

- Background: What is the Ethereum Merge?
- Key Details for Investors in ETFS 21Shares Ethereum ETF (“EETH”)
- Possibility of a Hard Fork

BACKGROUND: WHAT IS THE ETHEREUM MERGE?

1. WHAT IS HAPPENING TO ETHEREUM?

The Ethereum developers have reportedly decided to move Ethereum from a Proof-of-Work (PoW) consensus mechanism to a Proof-of-Stake consensus mechanism (PoS), which is reported to occur on the 15th or 16th of September 2022.

Ethereum miners have invested significant resources in their mining equipment (estimated worth approximately \$5 billion) so that they can mine on the Ethereum PoW blockchain and be rewarded with ETH, the native crypto currency of the Ethereum Network.

As such, miners have proposed a hard fork to the Ethereum Network. This will allow them to continue to support a newly-separated PoW chain after Ethereum switches to a PoS chain.

However, from the standpoint of end-users, the Ethereum Network should operate the same post-Merge (though there is of course no guarantee). This will be an important change for certain stakeholders - in particular, miners - but everyday holders of ETH, including Holders of Coin Interests in EETH, should not notice a change.

2. WHAT IS THE DIFFERENCE BETWEEN PROOF-OF-WORK AND PROOF-OF-STAKE?

Proof of work and proof of stake are two blockchain consensus mechanisms that are used to ensure the validity of transactions and the security of a blockchain. Proof of work involves solving complex equations using computing power, and sourcing extensive energy usage. Proof of stake does not involve high computing power (e.g., supercomputers), but rather, requires skin in the game or a stake in the native token for the right to verify and validate a new block of transactions.

3. WHAT IS ETHEREUM 2.0?

Ethereum 2.0 is not a new asset but is the name given to a set of updates coming to the Ethereum Network. The initial updates will see Ethereum transitioning from Proof of Work to Proof of Stake. Over the next few years, additional updates will roll out. It's important to note that Ethereum 2.0 is a term used to describe the Ethereum Network after its network upgrade, the Merge.

4. WHAT IS THE ESG IMPACT OF THE ETHEREUM NETWORK MERGE?

It is estimate that the shift from PoW to PoS will reduce Ethereum's energy consumption by 99.9% since all of the energy used from the computing power of miners will no longer be necessary. This transformation could potentially make Ethereum a more ESG-friendly asset.

KEY DETAILS FOR INVESTORS IN GLOBAL X 21SHARES ETHEREUM ETF

5. WHAT DOES THE MERGE MEAN FOR GLOBAL X 21SHARES ETHEREUM ETF?

Initially, we do not expect EETH to be impacted. Having said that, there is always the risk of unexpected circumstances that could arise with major blockchain changes such as the Merge.

6. WILL CREATIONS / REDEMPTIONS INTO THE ETFS THAT HOLD ETH BE AVAILABLE DURING THE TIME OF THE MERGE?

While it is not fully known what impact the Merge will have, we do not expect disruptions to either primary or secondary market activity relating to EETH as a result of the Merge. However, we will closely monitor the situation and engage with market makers and other participants to manage any concerns that may arise.

7. DOES COINBASE'S ANNOUNCEMENT SUSPENDING TRADING OF ETH DURING THE MERGE AFFECT EETH?

Coinbase Custody Trust Company, LLC, the Custodian for EETH, has announced that it will temporarily pause movements of ETH while the Merge is taking place, which is expected to be for only a few hours. We do not expect trading in EETH on the Cboe Australia market to be impacted by this announcement. The suspension will likely only impact the primary market for a short period of time and Coinbase has stated that this suspension is intended to be a safety measure to ensure Ethereum Network transactions take place while the Merge is underway. That notwithstanding, we will monitor the situation closely.

POSSIBILITY OF A HARD FORK

8. WHAT IS A HARD FORK AND WHAT WILL HAPPEN TO ETHEREUM IF THERE IS A HARD FORK?

A hard fork involves splitting the code base of a blockchain network in two which results in two entirely separate blockchains.

The two separate blockchains will each have their own rules for transaction verification, settlement, and security. In addition, each blockchain will have its respective native currency.

It is expected that there will be two tokens when a hard fork occurs. A new token, currently called ETHW, and an existing token ETH.

9. HOW LIKELY IS A HARD FORK? WHO DECIDES IF IT HAPPENS?

If a hard fork happens, we expect it to be initiated by miners who profit from the PoW blockchain. However, major protocols such as Chainlink have announced that they will not support an Ethereum fork. Without their support, the use case for a newly forked asset would be limited, so a fork is less likely to happen.

10. WHAT IS THE EXPECTED IMPACT OF A HARD FORK ON EETH?

As stated in the Product Disclosure Statement, forked assets will only be claimable if they are supported by the Custodian. Assets that become Claimable Forked Assets will be claimed by EETH, disposed of as soon as practicable and the proceeds will be distributed to Holders.

Coinbase, as Custodian for EETH, has stated its committed to fully supporting the upgraded Ethereum PoS chain following the Merge. Coinbase will continue to evaluate any ETH forked tokens following the Merge on a case-by-case basis in alignment with their standard policies. All potential forked tokens of Ethereum, including PoW forks, will go through the same listing review process that is that is followed for all other crypto assets.

For more information please refer to the Product Disclosure Statement and Target Market Determination available at www.gobalxetfs.com.au or contact us at info@globalxetfs.com.au or on +61 2 8311 3488.

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