

# RISK DISCLOSURE STATEMENT

## **IMPORTANT**

Subscription to, trading in, dealing with or owning Virtual Assets and using the services or products related to Virtual Assets involve risks, some of which are set out below. These risks, and additional risks arising either now or in the future, could result in the loss, failure or destruction of your assets, inability to receive any benefits available to you and/or other losses.

You must consider carefully whether the risks set out below, as well as all other applicable risks, are acceptable to you prior to any Virtual Asset Transaction.

You must seek professional advice regarding your situation *before* transacting with the Virtual Assets or using the services or products related to Virtual Assets.

**THE RISK OF LOSS IN TRANSACTIONS INVOLVING VIRTUAL ASSETS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRANSACTIONS ARE SUITABLE FOR YOU IN LIGHT OF YOUR INVESTMENT OBJECTIVES, FINANCIAL CIRCUMSTANCES, YOUR TOLERANCE TO RISKS AND YOUR INVESTMENT EXPERIENCE. YOU SHOULD BE CAPABLE OF BEARING A FULL LOSS OF THE AMOUNTS INVESTED AS A RESULT OF OR IN CONNECTION WITH ANY VIRTUAL ASSET TRANSACTION AND ANY ADDITIONAL LOSS OVER AND ABOVE THE INITIAL AMOUNTS TRADED OR INVESTED THAT MAY BECOME DUE AND OWING BY YOU. IN CONSIDERING WHETHER TO SUBSCRIBE, TRADE OR INVEST, YOU SHOULD INFORM YOURSELF AND BE AWARE OF THE RISKS GENERALLY, AND IN PARTICULAR SHOULD NOTE THE FOLLOWING SPECIFIC RISK FACTORS WHICH MAY APPLY TO ANY GIVEN VIRTUAL ASSET TRANSACTION.**

For the avoidance of doubt, XAUE is likely to be classified as Virtual Assets, and may have different classification in other jurisdictions. The risks disclosure below is for virtual assets in general, which includes XAUE and is applicable to XAUE.

## **1 TRANSACTION AND SERVICES OR PRODUCT RISKS**

### **1.1 Risks of Virtual Asset transactions**

The prices of any Virtual Assets may fluctuate, sometimes dramatically. The price of a Virtual Asset may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling Virtual Assets.

In subscribing any virtual assets, including but not limited to XAUE, you should read and understand all terms and conditions in the subscription agreement, and/or other documents or materials related to the virtual assets, and to seek independent professional advices prior to conduct any subscription of virtual assets and/or using any services or products related to virtual assets.

### **1.2 Nature of Virtual Assets**

The Virtual Assets are not legal tender. They may or may not be backed by physical assets, and are not backed or guaranteed by the government. They may not have intrinsic value. Some of the Virtual Assets may not circulate freely or widely, and may not be listed on any secondary markets.

Virtual Assets are generally a high-risk asset class. They may or may not be Securities. You should exercise caution in relation to the subscribing to, or dealing with Virtual Assets, and Virtual Assets themselves.

Transactions involving Virtual Assets are irrevocable. Lost or stolen Virtual Assets may be irretrievable. Once a transaction has been verified and recorded on a blockchain, loss or stolen Virtual Assets generally will not be reversible.

### **1.3 Reliance on distributed ledger technology**

Virtual Assets rely on various types of distributed ledger technology. Some of this technology is open source software that is built upon experimental technology, namely blockchain. Risks arising from relying on such technology include the existence of

technical flaws in the technology, targeting by malicious persons, majority-mining, consensus-based or other mining attacks, changes in the consensus protocol or algorithms, decreased community or miner support, rapid fluctuations in value of relevant Virtual Assets, the existence or development of competing networks, platforms and assets, flaws in the scripting language, disputes between developers, miners and/or users and regulatory action.

#### **1.4 Virtual Assets may be complex products**

Virtual Assets may be complex products by virtue that the terms, features and/or risk are not understood due to the complex structure, novelty and reliance on technological features.

#### **1.5 Volatility of Virtual Assets**

The value of the Virtual Assets may fluctuate significantly over a short period of time. The volatile and unpredictable fluctuations in price may result in significant losses over a short period of time.

Any Virtual Asset may decrease in value or lose all of its value due to various factors including discovery of wrongful conduct, market manipulation, change to the nature or properties of the Virtual Asset, governmental or regulatory activity, legislative changes, suspension or cessation of support for a Virtual Assets or other exchanges or service providers, public opinions, or other factors outside of our control. Technical advancements, as well as broader economic and political factors, may cause the value of Virtual Assets to change significantly over a short period of time.

#### **1.6 Market, liquidity and conversion risk**

Where Virtual Asset Transactions are denominated in particular Virtual Assets or Fiat Currencies other than your primary reference asset, or where you convert Virtual Assets upon carrying out a Virtual Asset Transaction, there is a risk that if the exchange markets move against you, then upon maturity or any earlier dealing the net proceeds may be significantly less than the initial amount in your primary reference asset, and any income or gains may be entirely negated.

The value of a particular Virtual Asset may decline, or be completely and permanent lost should the market for that Virtual Asset disappear. There is no assurance that a market for a particular Virtual Asset will continue to do so in the future. This is because the value of a Virtual Asset may be derived, among other things, from the continued willingness of market participants to exchange that Virtual Asset.

There is no assurance that any secondary market for Virtual Assets will develop, or if a secondary market does develop, that it will remain through the life of the Virtual Assets. Additionally, there are no guarantees that the Virtual Assets will have any value, retain any value, increase in value, or receive any distributions. Accordingly, the value of any capital used for subscription of Virtual Assets issued by the Foundation or any other third Party and the value of Virtual Assets may vary substantially over time and are subject to loss, including possible loss of the entire amount paid. Accordingly, Subscriber should only enter into this Agreement if they can afford to lose 100% of their capital used for subscription of the Virtual Assets.

There is the possibility for you to experience losses due to the inability to sell or convert assets into a preferred alternative asset immediately or in instances where conversion is possible but at a loss. Such liquidity risk in an asset may be caused by the absence of buyers, limited buy/sell activity or underdeveloped secondary markets. There is no assurance that a person who accepts a Virtual Asset as payment, will continue to do so in the future.

You may also suffer loss as a result of depreciation of the value of the currency paid as a result of foreign exchange controls imposed by the country issuing the foreign currency. Repayment or payment of amounts due to you may be delayed or prevented by exchange controls or other actions imposed by governmental or regulatory bodies over currencies which they control or regulate.

#### **1.7 No right under statutory protection schemes**

You should be aware that any Virtual Asset Transaction in respect of Virtual Assets is not subject to a right to claim under the investor compensation or protection scheme in any jurisdiction

This means that Virtual Asset Transactions and Virtual Assets may have reduced level or type of protection compared to other products and asset classes afforded in any competent jurisdiction.

## **1.8 Commissions and fees**

Before conducting any Virtual Asset Transaction, you should obtain details of all commissions, fees and Costs for which you will be liable. If any of the fees and Costs are not clear to you, you should request the fee and Costs that will be applicable in specific monetary terms before entering into a Virtual Asset Transaction. Depending on the Services provided, such fees and Costs will be set out in the agreement or any other material related to the virtual assets or the protocol.

The commissions, fees and Costs you pay will vary depending on a variety of factors, including the nature of your relationship with us in relation to the relevant Services, the transaction size, complexity and type of asset. Any fees or Costs applied may include execution charges (including commissions, commission equivalents, markups, markdowns and dealer spreads) and/or administrative costs.

For the above purpose,

“commission equivalents” means the amount charged by the Foundation or any party for issuing or selling Virtual Assets in certain riskless principal transactions (that is, transactions in which The Foundation, after having received an order to buy or sell from you, purchases or sells the Virtual Assets from another person to offset the Virtual Asset Transaction The Foundation entered into with you);

a “markup” or “markdown” is the difference between the price charged to you and the prevailing market price, such difference being included in the quote or the price of the Virtual Assets; and

the “spread” means the difference between the current purchase or bid price and the current ask or offer price. Such spread is also included in the quote or the price of the Virtual Assets, which may narrow or widen in response to the supply and demand levels of the Virtual Assets.

## **1.9 Suspension of Virtual Asset Transactions, Airdrops, Forks & Network Events**

It may be difficult or impossible to liquidate a position in the Virtual Assets under certain circumstances. Certain Airdrops, Forks or Network Events may occur rapidly and affect our ability to conduct a Virtual Asset Transaction. Information relating to such events may be difficult to ascertain ahead of time and may be subject to limited oversight by any third party who is capable of intervening to stabilise the network.

## **1.10 Independent Advice**

All subscribers or investors who may subscribe to or dealing with virtual assets consult their own legal, tax and financial advisors regarding the desirability of subscriber any virtual assets, including those issued by the Foundation.

# **2 CYBERSECURITY AND TECHNOLOGY-RELATED RISKS**

## **2.1 Loss of private key is permanent and irreversible**

Subscriber alone are responsible for securing private key in respect of any address with respect to Virtual Assets not received nor held by us and/or the Associated Entity of the Foundation.

Losing control of private key will permanently and irreversibly deny access to Virtual

Assets. Neither the Foundation nor any other person will be able to retrieve or protect Virtual Assets not held by us and/or any Associated Entity. Once lost, one will not be able to transfer Virtual Asset to any other address or wallet. One will not be able to realise any value or utility that the Virtual Asset may hold now or in future.

## **2.2 Transactions irreversible**

The nature of Virtual Asset Transactions is that they are irreversible. This means accidental or fraudulent transactions in respect of Virtual Assets may not be recoverable.

## **2.3 Forks and attacks**

Virtual Assets may be subject to Forks or attacks on the security, integrity or operation of the protocol, including Network Events. Such events may affect the features, functions, operation, user or other properties of any Virtual Asset, network or platform.

The events may also severely impact the price or value, function and/or the name of any Virtual Assets, or even result in the shutdown of the network or platform associated with the Virtual Asset. Such events may be beyond the control of The Foundation, or to the extent The Foundation has any ability to impact such event, The Foundation's decision or actions may not be in users interests.

## **2.4 Cyber-attacks and fraudulent activity**

The technologic reliance of the Services on the internet exposes you to an increased risk of fraud or cyber-attack. Virtual Assets, the protocol, any Service, Website or Trading Tool may be targeted by malicious persons who may attempt to steal Virtual Assets or Fiat Currency, or otherwise intervene in a Virtual Asset Transaction or any of our Services.

This includes (but is not limited to) interventions by way of:

- (a) distributed denial of service;
- (b) sybil attacks;
- (c) phishing;
- (d) social engineering;
- (e) hacking;
- (f) smurfing;
- (g) malware;
- (h) double spending;
- (i) majority-mining, consensus-based or other mining attacks;
- (j) misinformation campaigns;
- (k) Forks; and
- (l) spoofing.

Virtual Assets, protocol, any Service, Website or Trading Tool may also be vulnerable to exploitation of vulnerabilities in smart contracts and other code, as well as to human error.

A limited amount of your Virtual Assets may be stored in hot wallets (i.e. online environments which provide an interface with the internet), which can be prone to hacking or cyber-attacks. Cyber-attacks resulting in the hacking of Virtual Asset trading platforms and thefts of Virtual Assets are common. Victims may have difficulty recovering losses from hackers or trading platforms. This could result in significant loss and/or other impacts that may materially affect your interests.

The above events may affect the features, functions, operation, use, access or other properties of the Virtual Assets, protocol, any Service, Website.

## **2.5 Targeting by malicious persons**

Malicious entities may target user in an attempt to steal any asset user may hold, or to claim any asset that user may have purchased. This may involve unauthorised access to wallets, your private keys, user addresses, user passwords, email or social media accounts, user log-in details or other access method, as well as unauthorised access to your computer, smartphone and any other devices that user may use.

User alone are responsible for protecting yourself against such actions.

## **2.6 Cryptographic advancements**

Developments in cryptographic technologies and techniques, including (but not limited to) the advancement of artificial intelligence and/or quantum computing, pose security risks to all cryptography-based systems including the Virtual Assets, any of our protocol or tools, the Website or Foundation Services. Applying these technologies and techniques to the Virtual Assets, or our protocol, the website or our Services may result in theft, loss, disappearance, destruction, devaluation or other compromises of the Virtual Assets, protocol, any of our APIs, the Website, our Services or your data (as applicable).

## **2.7 Reliance on the internet and other technologies**

Virtual Asset Transactions rely heavily on the internet and other technologies (including the Agreed Communication Methods). However, the public nature of the internet means that either parts of the internet or the entire internet may be unreliable or unavailable at any given time. Further, interruption, delay, corruption or loss of data, the loss of confidentiality in the transmission of data, or the transmission of malware may occur when transmitting data via the internet and/or other technologies. The result of the above may be that users Virtual Asset Transaction is not executed according to users Instructions, at the desired time, or not at all.

No authentication, verification or computer security technology is completely secure or safe.

The internet or other electronic media (including without limitation electronic devices, services of third party telecom service providers such as mobile phones or other handheld trading devices or interactive voice response systems) are an inherently unreliable form of communication, and such unreliability may be beyond the the Foundation's control.

Any information (including any document) transmitted, or communication or transactions made, over the internet or through other electronic media (including electronic devices, services of third party telecommunication service providers such as mobile phones or other handheld trading devices or interactive voice response systems) may be subject to interruption, transmission blackout, delayed transmission due to data volume, internet traffic, market volatility or incorrect data transmission (including incorrect price quotation) or stoppage of price data feed due to the public nature of the internet or other electronic media.

## **2.8 Risks relating to timing**

A Virtual Asset Transaction is binding upon completion of the steps described in these Client Terms and Conditions. Following this, the Virtual Asset Transaction will not be reversed. There is a risk that the final binding Virtual Asset Transaction does not occur at the same time as Instructions are provided. You may suffer loss due to the fact that a Virtual Asset Transaction is not carried out at the desired time.

## **2.9 Unauthorised access**

Unauthorised third parties may access or use the protocol and effect Virtual Asset Transactions without your knowledge or authorisation, whether by obtaining control over another device or account used by you, or by other methods.

### **3 GENERAL RISK STATEMENTS**

#### **3.1 Jurisdiction risks**

Residents, Tax residents or persons having a relevant connection with certain jurisdictions are excluded from carrying out Virtual Asset Transactions. Changes in users place of domicile or the Applicable Law may result in you violating any legal or regulatory requirements of your applicable jurisdiction.

You are responsible for ensuring that any Virtual Asset Transaction is, and remains lawful despite changes to applicable laws, your residence and circumstances.

Regulation of virtual assets (including XAUE), issuing or subscribing of virtual assets, blockchain technologies, and virtual asset exchanges are currently undeveloped and likely to rapidly evolve, and vary significantly among different jurisdictions and are subject to significant uncertainty. Various legislative and executive bodies different countries, are currently considering, or may in the future consider, laws, regulations, guidance, or other actions, which may severely impact the Foundation and virtual assets. Failure by the Foundation to comply with any laws, rules and regulations, some of which may not exist yet or are subject to interpretation and may be subject to change, could result in a variety of adverse consequences, including criminal and civil penalties and fines. New or changing laws and regulations or interpretations of existing laws and regulations would likely have numerous material adverse consequences, including, but not limited to: (i) the Subscribers' rights to redemption and the representation of the virtual assets; (ii) the value of the virtual assets; (iii) the ability to make distributions or transfer of virtual assets; (iv) the liquidity and market price of the virtual assets; (v) users' ability to access marketplaces or protocol related to the virtual assets; (vi) the Foundation's ability to operate as an ongoing concern; and (vi) the necessity to modify the structure, rights and transferability of virtual assets. Therefore, there can be no assurance that any new or continuing regulatory scrutiny or initiatives will not have a material adverse impact on the value of virtual assets, or otherwise impede the Foundation's activities.

#### **3.2 Market Risks**

The prices of virtual assets change rapidly. Currently, there is relatively modest use of virtual assets in the retail and commercial marketplace compared to use by speculators, which contributes to price volatility of digital assets. This volatility makes it difficult to use virtual assets for ordinary, non-speculative transactions.

Despite the Foundation's intent to create a virtual asset to be used in commercial transactions, the price of virtual assets may be affected by many factors outside the Foundation's control such as supply and demand; mining incentives, availability and access to virtual asset service providers (such as payment processors), exchanges, miners or other virtual asset users and market participants; perceived or actual network or instrument security vulnerability; changes in regulation in different countries, inflation levels; fiscal policy; monetary policy; political, natural and economic events, and many other factors. The volatility of virtual assets generally could impede the adoption and demand for the virtual assets, which could negatively impact the value of the Foundation and the virtual assets.

#### **3.3 Operation Risks**

The protocol developed by the Foundation is newly developed by the Foundation and will require significant capital outlays and a large commitment of time and effort by the Foundation's personnel or its service providers in order to develop and successfully make the protocol operational. Specifically, the virtual assets and the protocol rely on new, unproven technology, and neither the Foundation nor its management team nor its service provider has created a product like this before. Throughout the course of development, the Foundation may have to make changes to the specifications of the virtual assets and the Foundation, which may significantly increase the time to market. Further, the Foundation, even if successfully developed and maintained, may not garner sufficient

investor or user interest such that the Foundation is sustainable.

The Foundation may rely on certain third party service providers in order to develop and operate the protocol. The Foundation future success and competitive position depends in part upon its ability to maintain these relationships with third party service providers or obtain new third party service providers at a rate of compensation which is acceptable to the Foundation. If the Foundation plans cannot be implemented or are disrupted, the ability of holders of the virtual assets or the virtual assets could be materially adversely affected. In addition, the Foundation cannot assure the subscribers that any of its third party service providers will be able to successfully provide their services on the protocol or in furtherance of development of the protocol.

The Foundation will use new technology to develop the protocol. There can be no assurance that such technology will be bug-free or accepted by the marketplace. Thus, even should the protocol become operational virtual assets may be subject to the risk of theft, loss, malfunction, or reputational risk, any of which can significantly degrade the value of such instrument.

To date, the Foundation has primarily been engaged in organizational activities and operations relating to the development of the protocol. The Foundation does not have any significant assets. There is no assurance that any of the Foundation proposed activities and business plans as set forth will ever succeed.

### **3.4 Tax treatment and accounting**

Some Virtual Asset Transactions may be subject to the tax laws and regulations in an applicable jurisdiction. The tax treatment and accounting of Virtual Assets is a largely untested area of law and practice that is subject to changes. Tax treatment of Virtual Assets may vary amongst jurisdictions. We may receive queries, notices, requests or summons from tax authorities and as a result may be required to furnish certain information about the Virtual Asset Transaction.

Among the accounting profession, there are no agreed standards and practices for how an auditor can perform assurance procedures to obtain sufficient audit evidence for the existence and ownership of the Virtual Assets, and ascertain the reasonableness of the valuations.

If you are unsure about the tax implications of your Virtual Asset Transactions, you should seek independent professional advice before carrying out a Virtual Asset Transaction.

### **3.5 Inflation Risk**

Virtual Assets may, either because of the inherent design of the Virtual Asset or through Forks, Airdrops or protocol Events, not be a fixed supply of assets. Where additional Virtual Assets are created, their price may decline due to inflationary effects of the increased amount of total Virtual Assets available.

### **3.6 Concentration risk**

At any point in time, one or more persons may directly or indirectly control significant portions of the total supply of any particular Virtual Asset. Acting individually or in concert, these holders may have significant influence, and may be able to influence or cause Forks or protocol events which may have a detrimental effect on price, value or functionality of the Virtual Assets. protocol participants may make decisions that are not in your best interest as a holder of Virtual Assets.

### **3.7 Country risks**

If an transaction is made in any Virtual Asset issued by a party subject to foreign laws or transactions made on markets in other jurisdictions, including markets formally linked to a domestic market, recovery of the sums invested and any profits or gains may be reduced,

delayed or prevented by exchange controls, debt moratorium or other actions imposed by the government or other official bodies. Before you conduct any Virtual Asset Transactions you should satisfy yourself about any rules or laws relevant to those particular Virtual Asset Transactions.

Your local regulatory authority will be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should obtain independent advice about the different types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade. If your country of residence imposes restrictions on Virtual Asset Transactions, we may be required to discontinue your access to the protocol, and may not be permitted to transfer Virtual Assets back to you or permit you to transfer Virtual Assets from the protocol to yourself or others, until such time as the regulatory environment permits us to do so.

### **3.8 Regulatory uncertainty**

All Virtual Asset Transactions are potentially exposed to legal and regulatory risks. The legal and regulatory treatment of some of the Virtual Assets may change. Regulation of Virtual Assets is unsettled and rapidly changing. Legal and regulatory treatment varies according to the jurisdiction. The effect of regulatory and legal risk is that any Virtual Asset may decrease in value or lose all of its value due to legal or regulatory change. This may affect the value or potential profit of a Virtual Asset Transaction.

We may cancel or modify your Virtual Asset Transaction, restrict or suspend the access to an protocol or any of our Services to comply with Applicable Laws, FATF Guidelines or for other reasons specified in the Agreement.

We recommend that you obtain independent legal, tax and financial advice and that you continue to monitor the legal and regulatory position in respect of your Virtual Assets and Virtual Asset Transactions.

### **3.9 Conflicts of interest**

We or other virtual asset trading service providers may be acting as agents for you as well as acting as principals against you. We or other relevant service providers may facilitate the initial distribution of Virtual Assets (such as, initial coin offerings), secondary market trading, or both, in manners similar to a traditional exchange, alternative trading system or securities broker. If these operations are not under the purview of any regulator, it would be difficult to detect, monitor and manage conflicts of interest.