

OSPREY POLKADOT TRUST

A Delaware Trust

Sponsored by

Osprey Funds, LLC
1241 Post Road, 2nd Floor
Fairfield, CT 06824
Telephone: (914) 214-4697
www.ospreyfunds.io

Primary Standard Industrial Code: 6221

QUARTERLY REPORT

For the period ending June 30, 2022

(the “Reporting Period”)

Shares Representing Common Shares of Fractional Undivided Beneficial Interest

No Par Value Per Share Unlimited Shares Authorized

5,104,747 Shares Issued and Outstanding as of June 30, 2022

5,104,747 Shares Issued and Outstanding as of March 31, 2022

Osprey Funds, LLC (the “Sponsor”), on behalf of Osprey Polkadot Trust (the “Trust”), is responsible for the content of this quarterly report for the quarter ended June 30, 2022 (the “Quarterly Report”), which has been prepared to fulfill the disclosure requirements of the OTCQX U.S. marketplace. The information contained in this Quarterly Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission (the “SEC”) or any state securities commission. Any representation to the contrary is a criminal offense.

All references to “the Trust,” “the Sponsor,” “the Issuer,” “Osprey Polkadot Trust,” “we,” “us” or “our” refers to the Trust or the Sponsor, as the context indicates. The Trust is a passive entity with no operations, and where the context requires, we provide disclosure with respect to the Sponsor, which administers the Trust.

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 (“Securities Act”) and Rule 12b-2 of the Securities Exchange Act of 1934).
Yes ☐ No ☒

Indicate by check mark whether the company’s shell status has changed since the previous reporting period. Yes ☐ No ☒

Indicate by check mark whether a change in control of the company has occurred over this reporting period. Yes ☐ No ☒

This Quarterly Report reflects financial results through June 30, 2022. It was prepared as of August 11, 2022.

Capitalized terms used herein shall have the meanings ascribed to them in the Amended and Restated Declaration of Trust and Trust Agreement of Osprey Polkadot Trust, dated as of May 1, 2022 (“Trust Agreement”) or the Confidential Private Placement Memorandum Offering Shares in Osprey Polkadot Trust (“PPM”), dated as of June 30, 2022.¹

¹ The Current version of the PPM is available from the Sponsor at ospreyfund.io.

Table of Contents

Item 1. The exact name of the issuer and the address of its principal executive offices	6
Item 2. Shares outstanding.....	6
Item 3. Interim financial statements.....	7
Item 4. Management’s discussion and analysis.	7
Item 5. Legal proceedings.....	8
Item 6. Defaults upon senior securities.....	8
Item 7. Other information.	8
Item 8. Exhibits.....	9
Item 9. Issuer’s certifications.....	10

Exhibit 1 Unaudited financial statements as of June 30, 2022 and for the three and six months ended June 30, 2022.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report contains “forward-looking statements” with respect to the Trust’s financial conditions, results of operations, plans, objectives, future performance and business. Statements preceded by, followed by or that include words such as “may,” “might,” “will,” “should,” “expect,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” the negative of these terms and other similar expressions are intended to identify some of the forward-looking statements. All statements (other than statements of historical fact) included in this Quarterly Report that address activities, events or developments that will or may occur in the future, including such matters as changes in market prices and conditions, the Trust’s operations, the Sponsor’s plans and references to the Trust’s future success and other similar matters are forward-looking statements. These statements are only predictions. Actual events or results may differ materially from such statements. These statements are based upon certain assumptions and analyses the Sponsor made based on its perception of historical trends, current conditions and expected future developments, as well as other factors appropriate in the circumstances. You should specifically consider the numerous risks outlined under “Risk Factors” in our Annual Report. Whether or not actual results and developments will conform to the Sponsor’s expectations and predictions, however, is subject to a number of risks and uncertainties, including:

- the risk factors discussed in this Quarterly Report, including the particular risks associated with Polkadot and new technologies such as blockchain technology;
- the inability to redeem Shares;
- the economic conditions in the Polkadot industry and market;
- general economic, market and business conditions;
- the use of technology by us and our vendors, including Coinbase Custody Trust Company, LLC, the Trust’s Custodian, in conducting our business, including disruptions in our computer systems and data centers and our transition to, and quality of, new technology platforms;
- changes in laws or regulations, including those concerning taxes, made by governmental authorities or regulatory bodies;
- the costs and effect of any litigation or regulatory investigations;
- our ability to maintain a positive reputation
- lack of an organized trading market for the Shares and the risk that any organized trading market that seeks to provide liquidity for the sale of Shares in the future will not provide sufficient liquidity for Shareholders seeking to sell their Shares or otherwise does not operate efficiently; and
- other world economic and political developments.

Consequently, all the forward-looking statements made in this Quarterly Report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments the Sponsor anticipates will be realized or, even if substantially realized, that they will result in the expected consequences to, or have the expected effects on, the Trust's operations or the value of the Shares. Should one or more of the risks discussed under "Risk Factors" in our Annual Report or other uncertainties materialize, or should underlying assumptions prove incorrect, actual outcomes may vary materially from those described in forward-looking statements. Forward-looking statements are made based on the Sponsor's beliefs, estimates and opinions on the date the statements are made and neither the Trust nor the Sponsor is under a duty or undertakes an obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, other than as required by applicable laws. Moreover, neither the Trust, the Sponsor, nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Investors are therefore cautioned against relying on forward-looking statements.

The risk factors included in our Annual Report continue to apply to us, and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. There have not been any material changes from the risk factors previously described in our Annual Report, except for as provided in "Item 7 – Other Information."

Item 1. The exact name of the issuer and the address of its principal executive offices.

The name of the Trust is Osprey Polkadot Trust.

The address of the Sponsor is: Osprey Funds, LLC
1241 Post Road, 2nd Floor
Fairfield, CT 06824

The Sponsor's telephone number is: (914) 214-4697

The Sponsor's website: The Sponsor maintains a corporate website, www.ospreyfunds.io, which contains general information about the Trust and the Sponsor. The reference to our website is an interactive textual reference only, and the information contained on our website shall not be deemed incorporated by reference herein.

Investor relations contact: Osprey Funds, LLC
1241 Post Road, 2nd Floor
Fairfield, CT 06824
Telephone: (914) 214-4697
Email: IR@ospreyfunds.io

Item 2. Shares outstanding.

The only class of securities outstanding is common shares of fractional undivided beneficial interest ("Shares"), which represent ownership in the Trust. The Trust's trading symbol on the over-the-counter ("OTC") Market of the OTC Markets Group Inc. is "ODOT" and the CUSIP number for its Shares is 68841K105.

During April 2021, the Trust began a continuous offering of an unlimited number of Shares with no par value, pursuant to Rule 506(c) under the Securities Act. All of the shares issued pursuant to this offering are restricted securities, subject to a minimum holding period of twelve months, unless the Trust becomes the SEC reporting entity, in which case the minimum holding period could be reduced to six months.

During June 2021, the Trust commenced an offering of Shares with no par value, up to \$10,000,000, each Share representing a fractional undivided beneficial interest in the Trust. All shares were sold to accredited investors in an offering of to \$10,000,000 of Shares, dated June 1, 2021, registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act ("Rule 504 Offering"). The Rule 504 Offering closed on July 23, 2021.

As of June 30, 2022, there were unlimited Shares authorized, 5,104,747 Shares issued and outstanding. 257,842 of the Shares are restricted securities that may not be resold absent registration or an exemption from registration under the Securities Act, and 4,846,905 of the Shares are unrestricted securities. As of June 30, 2022, there were 63 Shareholders owning at least 100 Shares, and 63 Shareholders of record.

Item 3. Interim financial statements.

The Trust's unaudited interim financial statements as of June 30, 2022 and for the three and six months ended June 30, 2022 are attached as Exhibit 1 to this Quarterly Report. The historical results presented herein and therein are not necessarily indicative of financial results to be achieved in future periods. The Trust's unaudited financial statements attached as Exhibit 1 to this Quarterly Report are incorporated herein by reference and are considered as part of this Quarterly Report.

Item 4. Management's discussion and analysis.

The following discussion and analysis of our financial condition and results of operations should be read together with, and is qualified in its entirety by reference to, our unaudited financial statements and related notes attached as an exhibit to this Quarterly Report, which have been prepared in accordance with GAAP. The following discussion may contain forward-looking statements based on assumptions we believe to be reasonable. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those set forth under "Risk Factors" or in other sections of our Annual Report, and under "Cautionary Note Regarding Forward-Looking Statements."

Trust Overview

The investment objective of the Trust is solely for the Shares to realize long-term capital appreciation by tracking the price of DOT tokens, the native token to the Polkadot Network, as defined below ("DOT") on each business day, less liabilities and expenses of the Trust. The Shares are designed as a convenient and cost-effective method for investors to gain investment exposure to DOT without making a direct investment in DOT.

The Trust will not be actively managed. It will not engage in any activities designed to obtain a profit from, or to ameliorate losses caused by, changes in the market prices of DOT.

Proceeds received by the Trust from the issuance and sale of Shares will be used to acquire DOT. The Trust may accrue staked, forked or airdropped cryptocurrency coins from the Polkadot Network, or their respective U.S. dollar cash equivalents. Such DOT will in all cases be (1) owned by the Trust and held by the Custodian (other than Staked Rewards payable to the Sponsor; see "Staking Rewards" below), (2) disbursed (after conversion to U.S. dollars, as applicable) to pay the Trust's expenses, (3) distributed (after conversion to U.S. dollars, as applicable) to holders of the Trust's Shares ("Shareholders") in connection with the redemption of Shares, if and when redemptions of Shares are ever permitted, (4) distributed (after conversion to U.S. dollars, as applicable), to Shareholders as dividends, if and when dividends are ever paid and/or (5) liquidated in the event that the Trust is terminated or as otherwise required by law or regulation.

At this time, the Trust is not operating a redemption program for Shares and therefore Shares are not redeemable by the Trust. In addition, the Trust may halt issuances of Shares for extended periods of time. As a result, the value of the Shares of the Trust may not approximate, and when traded on any secondary market, the Shares may trade at a substantial premium over, or discount to, the value of the DOT held by the Trust, less the Trust's expenses and other liabilities.

Trust Expenses

The Trust's only ordinary recurring charge is expected to be the remuneration due to the Sponsor (the "Management Fee"). The Management Fee equals 2.50% of the Trust assets per annum. The Sponsor expects that the Trust will pay the Management Fee in monthly installments in arrears. The Sponsor agrees to waive the management fee until January 1, 2023. The Sponsor may extend this waiver annually, in whole or in part, at its sole discretion.

The Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the "Assumed Expenses"); provided, however, that the Trust shall be responsible for any non-routine and ordinary expenses, including in addition to the Management Fee (and Staking Rewards), fees and expenses such as, but not limited to, taxes and governmental charges, expenses and costs, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Shareholders, indemnification expenses, fees, and expenses related to public trading on OTCQX, as defined below ("Extraordinary Expenses").

Staking Rewards

The Sponsor is committed to supporting the Polkadot community and ecosystem. To this end, the Sponsor will ensure that a portion of DOT held by the Trust will be bonded by the Custodian to the Polkadot Network ("staked") for purposes of running a node or multiple nodes on the network. DOT staked to the Polkadot Network receives network inflation and transaction fees in the form of DOT. Such rewards ("Staking Rewards") are variable and will accrue to the benefit of the Sponsor only (i.e., paid entirely, promptly by the Trust to the Sponsor as received), and will be used, in part, to cover expenses related to operating the Trust. Any staking activity will have no material impact on the investment objective of the Trust which is to track the price of DOT.

Review of Financial Results

Unaudited financial statements as of June 30, 2022 and for the three and six months ended June 30, 2022 are attached.

Item 5. Legal proceedings.

There are no current, past, pending or, to the Trust's knowledge, threatened legal proceedings or administrative actions either by or against the Trust or the Sponsor that could have a material effect on the Trust's or the Sponsor's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator.

Item 6. Defaults upon senior securities.

None.

Item 7. Other information.

The risk factors included in our Annual Report continue to apply to us and describe risks and uncertainties that could cause actual results to differ materially from the results expressed or implied by the forward-looking statements contained in this Quarterly Report. In addition to such risk factors, investors should consider carefully the risks described below before making an investment decision.

Item 8. Exhibits.

Exhibit 1 Unaudited financial statements as of June 30, 2022 and for the three and six months ended June 30, 2022.

Item 9. Issuer's certifications.

Certification

I, Gregory D. King, certify that:

1. I have reviewed this quarterly disclosure statement, exhibits, and all notes thereto of Osprey Polkadot Trust;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 11, 2022

/s/ Gregory D. King

By: Gregory D. King

Title: Chief Executive Officer of
Osprey Funds, LLC

Certification

I, Robert J. Rokose, certify that:

1. I have reviewed this quarterly disclosure statement, exhibits, and all notes thereto of Osprey Polkadot Trust;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Dated: August 11, 2022

/s/ Robert J. Rokose

By: Robert J. Rokose

Title: Chief Financial Officer of
Osprey Funds, LLC

Exhibit 1

Unaudited financial statements as of June 30, 2022 and for the three and six months ended June 30, 2022.



Osprey Polkadot Trust
Financial Statements

June 30, 2022

Osprey Polkadot Trust

Table of Contents

	Page
Financial Statements	
Statements of Assets and Liabilities at June 30, 2022 (unaudited) and December 31, 2021	1
Schedules of Investment at June 30, 2022 (unaudited) and December 31, 2021	2
Statements of Operations (unaudited) for the three months and six months ended June 30, 2022 and 2021	3
Statements of Changes in Net Assets (unaudited) the three months and six months ended June 30, 2022 and 2021	4
Notes to the Financial Statements (unaudited)	5-13

Osprey Polkadot Trust

Statements of Assets and Liabilities

June 30, 2022 and December 31, 2021

(Amounts in U.S. dollars, except shares issued and outstanding)

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Investment in DOT, at fair value (cost \$17,881,039 and \$18,084,153, respectively), including \$5,084,839 and \$19,818,433 staked DOT, respectively	\$ 5,149,483	\$ 19,951,410
Cash	250	250
Total assets	<u>\$ 5,149,733</u>	<u>\$ 19,951,660</u>
Liabilities		
Staking rewards payable to Sponsor	\$ 57,723	\$ 250,305
Other payable	250	250
Total liabilities	<u>57,973</u>	<u>250,555</u>
Net assets	<u>\$ 5,091,760</u>	<u>\$ 19,701,105</u>
Net assets		
Paid-in capital	\$ 17,811,246	\$ 17,811,246
Accumulated net investment income	208	208
Accumulated net change in unrealized appreciation (depreciation) on investment in DOT	(12,719,694)	1,889,651
	<u>\$ 5,091,760</u>	<u>\$ 19,701,105</u>
Shares issued and outstanding, no par value (unlimited shares authorized)	5,104,747	5,104,747
Net asset value per share	<u>\$ 1.00</u>	<u>\$ 3.86</u>

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

Osprey Polkadot Trust
Schedules of Investment
June 30, 2022 and December 31, 2021

(Amounts in U.S. dollars)

June 30, 2022 (unaudited)

	Units	Fair Value	Percentage of Net Assets
Investment in DOT* (cost \$17,881,039)	<u>756,720.47</u>	<u>\$ 5,149,483</u>	<u>101 %</u>
Liabilities, less cash		<u>\$ (57,723)</u>	<u>(1) %</u>
Net assets		<u>\$ 5,091,760</u>	<u>100 %</u>

* the amount includes \$5,084,839 of staked DOT as discussed in Note 2 and Note 3

December 31, 2021

	Units	Fair Value	Percentage of Net Assets
Investment in DOT* (cost \$18,084,153)	<u>757,744.40</u>	<u>\$ 19,951,410</u>	<u>101 %</u>
Liabilities, less cash		<u>\$ (250,305)</u>	<u>(1) %</u>
Net assets		<u>\$ 19,701,105</u>	<u>100 %</u>

* the amount includes \$19,818,433 of staked DOT as discussed in Note 2 and Note 3

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

Osprey Polkadot Trust

Statement of Operations

For the three months and six months ended June 30, 2022 and 2021

(Amounts in U.S. dollars)

	Three months ended June 30, 2022 (Unaudited)	Three months ended June 30, 2021 ⁽¹⁾ (Unaudited)	Six months ended June 30, 2022 (Unaudited)	Six months ended June 30, 2021 ⁽¹⁾ (Unaudited)
Investment income				
Income				
Staking rewards revenue	\$ 302,438	\$ 189,960	\$ 789,166	\$ 189,960
Other income	-	163	-	163
Total income	302,438	190,123	789,166	190,123
Expenses				
Staking rewards owed to the Sponsor	302,438	189,960	789,166	189,960
Management fee	58,053	36,927	151,413	36,927
Total expenses	360,491	226,887	940,579	226,887
Management fee waived by the Sponsor	(58,053)	(36,927)	(151,413)	(36,927)
Net expenses	302,438	189,960	789,166	189,960
Net investment income	-	163	-	163
Net change in unrealized depreciation on investment in Polkadot				
Net change in unrealized depreciation on investment in DOT	(10,875,040)	(6,266,197)	(14,609,345)	(6,266,197)
Net decrease in net assets resulting from operations	<u>\$ (10,875,040)</u>	<u>\$ (6,266,034)</u>	<u>\$ (14,609,345)</u>	<u>\$ (6,266,034)</u>

⁽¹⁾ For the period April 27, 2021 (commencement of operations) to June 30, 2021.

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

Osprey Polkadot Trust
Statement of Changes in Net Assets
For the three months and six months ended June 30, 2022 and 2021

(Amounts in U.S. dollars, except shares issued and outstanding)

	Three months ended June 30, 2022 (Unaudited)	Three months ended June 30, 2021 ⁽¹⁾ (Unaudited)	Six months ended June 30, 2022 (Unaudited)	Six months ended June 30, 2021 ⁽¹⁾ (Unaudited)
Decrease in net assets from operations				
Net investment income	\$ -	\$ 163	\$ -	\$ 163
Net change in unrealized depreciation on investment in DOT	(10,875,040)	(6,266,197)	(14,609,345)	(6,266,197)
Net decrease in net assets resulting from operations	(10,875,040)	(6,266,034)	(14,609,345)	(6,266,034)
Increase in net assets from capital transactions				
Subscriptions	-	12,153,915	-	12,153,915
Net Increase (decrease) in net assets	(10,875,040)	5,887,881	(14,609,345)	5,887,881
Net assets at the beginning of the period	15,966,800	-	19,701,105	-
Net assets at the end of the period	\$ 5,091,760	\$ 5,887,881	\$ 5,091,760	\$ 5,887,881
Change in shares issued and outstanding				
Shares issued and outstanding at the beginning of the period	5,104,747	-	5,104,747	-
Subscriptions	-	2,521,698	-	2,521,698
Shares issued and outstanding at the end of the period	5,104,747	2,521,698	5,104,747	2,521,698

⁽¹⁾ For the period April 27, 2021 (commencement of operations) to June 30, 2021.

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

Osprey Polkadot Trust

Notes to the Financial Statements (unaudited)

As of June 30, 2022

1. Organization

Osprey Polkadot Trust (the “Trust” or “Fund”) is a Delaware Statutory Trust that was formed on March 25, 2021 and commenced operations on April 27, 2021 and is governed by the Amended and Restated Declaration of Trust and Trust Agreement (the “Trust Agreement”) dated May 1, 2022. In general, the Trust holds DOT and, from time to time, issues common shares of fractional undivided beneficial interest (“Shares”) in exchange for DOT. The investment objective of the Trust is solely for the Shares to realize long-term capital appreciation by tracking the price of DOT tokens, the native token to the Polkadot Network, less liabilities and expenses of the Trust. The Shares are designed as a method for investors to gain investment exposure to DOT, similar to a direct investment in DOT.

Osprey Funds, LLC (the “Sponsor”) acts as the sponsor of the Trust. Other funds under the Osprey name are also managed by the Sponsor. The Sponsor is responsible for the day-to-day administration of the Trust pursuant to the provisions of the Trust Agreement. The Sponsor is responsible for preparing and providing annual reports on behalf of the Trust to investors and is also responsible for selecting and monitoring the Trust’s service providers. As partial consideration for the Sponsor’s services, the Trust assigns staking rewards to the Sponsor and expects to pay the Sponsor a management fee (collectively, “Sponsor’s Fee”) as discussed in Notes 2 and 5.

Coinbase Custody Trust Company, LLC, the custodian of the Trust (the “Custodian”) is responsible for safeguarding the DOT held by the Trust. The Custodian (directly, or through an affiliate) is also responsible for administering the coordination, execution, and reward management associated with Staking services to the Trust. Delaware Trust Company serves as the trustee (the “Trustee”) of the Trust.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are expressed in US dollars and have been prepared in accordance with generally accepted accounting principles in the United States (“GAAP”). The Trust qualifies as an investment company for accounting purposes pursuant to the accounting and reporting guidance under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 946, Financial Services – Investment Companies. The Trust is not registered under the U.S. Securities and Exchange Commission (“SEC”) Investment Company Act of 1940.

Use of Estimates

GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The most significant estimate in the financial statements is the fair value of investments. Actual results could differ from those estimates and these differences could be material.

Osprey Polkadot Trust
Notes to the Financial Statements (unaudited)
As of June 30, 2022

Cash

Cash is received by the Trust and held for investment in DOT. Cash held by the Trust represents deposits maintained with Signature Bank (New York). At times, bank deposits may be in excess of federally insured limits. Pursuant to the Statement of Cash Flows Topic of the Codification, the Trust qualifies for an exemption from the requirement to provide a statement of cash flows and has elected not to provide a statement of cash flows.

Subscriptions and Redemptions of Shares

Proceeds received by the Trust from the issuance and sale of Shares consist of DOT deposits, or their respective U.S. dollar cash equivalents. Such DOT (or cash equivalent) will only be (1) owned by the Trust and held by the Custodian (or, if cash, used by the Sponsor to purchase DOT to be held by the Custodian), (2) disbursed (or converted to U.S. dollars, if necessary) to pay the Trust's expenses, (3) distributed to Shareholders, or (4) liquidated in the event that the Trust terminates or as otherwise required by law or regulation.

During April 2021, the Trust began a continuous offering of an unlimited number of Shares with no par value, pursuant to Rule 506(c) under the Securities Act of 1933. All of the Shares issued pursuant to this offering are "restricted securities", subject to a minimum holding period of twelve months, unless the Trust becomes an SEC reporting entity, in which case the minimum holding period could be reduced to six months. 2,302,481 Shares were sold pursuant to this offering.

During June 2021, the Trust commenced an offering of Shares with no par value, up to \$10,000,000, each Share representing a fractional undivided beneficial interest in the Trust. 2,802,266 Shares were sold to accredited investors in an offering of to \$10,000,000 of Shares, dated June 1, 2021, registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act of 1933 ("Rule 504 Offering"). The Rule 504 Offering closed on July 23, 2021.

On May 4, 2022, the Trust's Shares began trading on the OTCQX Market, operated by OTC Markets Group, Inc., under the ticker symbol "ODOT".

As of June 30, 2022, there were 5,104,747 Shares issued and outstanding. 257,842 of the Shares are restricted securities that may not be resold, and 4,846,905 of the Shares are unrestricted securities.

The Trust conducts its transactions in DOT, including receiving DOT for the creation of Shares, and delivering DOT in connection with the redemption of Shares (if a redemption program were to be established), and for the payment of the Sponsor's Fee. The Trust does not buy or sell DOT for the purpose of seeking trading profits.

The Trust is currently unable to redeem Shares. The Trust may seek approval from the SEC in the future to operate an ongoing redemption program.

Any references to Units or Unitholders refer to Shares or Shareholders, respectively, the former were used in the period prior to the issuance of the revised private placement memorandum of May 5, 2022.

Osprey Polkadot Trust

Notes to the Financial Statements (unaudited)

As of June 30, 2022

Investment Transactions and Revenue Recognition

The Trust identifies DOT as an “other investment” in accordance with ASC 946. The Trust records investment transactions on a trade date basis and changes in fair value are reflected as the net change in unrealized appreciation or depreciation on investment. Realized gains and losses are calculated using a specific identification method. Realized gains and losses are recognized in connection with transactions, including settling obligations for the Sponsor’s Fee in DOT.

Management Fees

In consideration for the management services provided to the Trust, the Sponsor receives from the Trust a management fee (the “Management Fee”) payable monthly in arrears in an amount equal to 1/12th of 2.5% (2.5% per annum) of the Trust assets. The Sponsor has agreed to waive the management fee until January 1, 2023 and may extend this waiver annually, in whole or in part, at its sole discretion.

Staked DOT and Staking Rewards

The Sponsor is committed to supporting the Polkadot community and ecosystem. To this end, the Sponsor will ensure that substantially all of DOT held by the Trust will be bonded by the Custodian to the Polkadot Network (“staked”) for purposes of running a node or multiple nodes on the network. DOT staked to the Polkadot Network receives network inflation and transaction fees in the form of DOT (“Staking Rewards”). Staking Rewards are variable and will accrue to the benefit of the Sponsor only (i.e., paid entirely, promptly by the Trust to the Sponsor as received), and will be used, in part, to cover expenses related to operating the Trust.

Under current Polkadot network protocols, staked DOT is subject to a 28-day lock-up period, known as “unbonding”, and therefore cannot be immediately withdrawn.

Staking rewards are earned by the Trust in DOT when the validator with whom the Trust has staked its DOT validates transactions on the Polkadot Network. The Trust has concluded that the validator is the principal to the validation activities giving rise to the staking rewards, and therefore the Trust recognizes only the net amount (i.e. net of the staking rewards retained by the validator) of DOT to which it is entitled for staking its DOT. Staking rewards earned in DOT are converted to US Dollars using the fair value of DOT as of the date the DOT earned. The DOT is concurrently recognized as an expense equal to the amount of revenue recorded and a payable to the Sponsor. The liability is paid to the Sponsor on a date determined by the Sponsor at its discretion.

Trust Expenses

In accordance with its Trust Agreement, the Sponsor will bear the routine operational, administrative and other ordinary fees and expenses of the Trust (the “Assumed Expenses”); provided, however, that the Trust shall be responsible for any non-routine and extraordinary expenses, including in addition to the Sponsor’s Fee, fees and expenses such as, but not limited to, taxes and governmental charges, expenses and indemnities related to any extraordinary services performed by the Sponsor (or any other Service Provider, including the Trustee) on behalf of the Trust to protect the Trust or the interests of Shareholders, indemnification expenses, fees and expenses related to public trading on OTC Markets (“Extraordinary Expenses”).

Osprey Polkadot Trust

Notes to the Financial Statements (unaudited)

As of June 30, 2022

Fair Value Measurements

The Trust's investment in DOT is stated at fair value in accordance with ASC 820-10 "*Fair Value Measurements*", which outlines the application of fair value accounting. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the 'exit price') in an orderly transaction between market participants at the measurement date. ASC 820-10 requires the Trust to assume that DOT is sold in its principal market to market participants or, in the absence of a principal market, the most advantageous market. A principal market is the market with the greatest volume and level of activity for DOT, and the most advantageous market is defined as the market that maximizes the amount that would be received to sell the asset or minimizes the amount that would be paid to transfer the liability, after taking into account transaction costs. The principal market is generally selected based on the most liquid and reliable exchange (including consideration of the ability for the Trust to access the specific market, either directly or through an intermediary, at the end of each period).

GAAP utilizes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, these valuations do not entail a significant degree of judgment.
- Level 2 – Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary by investment. To the extent that valuations are based on sources that are less observable or unobservable in the market, the determination of fair value requires more judgment. Fair value estimates do not necessarily represent the amounts that may be ultimately realized by the Trust.

Definition of Net Asset Value

The net asset value ("NAV") of the Trust is used by the Trust in its day-to-day operations to measure the net value of the Trust's assets. The NAV is calculated on each business day and is equal to the aggregate value of the Trust's assets less its liabilities (which include accrued but unpaid fees and expenses, both estimated and finally determined), based on the DOT market price.

Osprey Polkadot Trust
Notes to the Financial Statements (unaudited)
As of June 30, 2022

In calculating the value of the DOT held by the Trust on any business day, the Trust will use the market price as of 4:00 P.M. New York time. The Trust will also calculate the NAV per Share of the Trust daily, which equals the NAV of the Trust divided by the number of outstanding Shares (the “NAV per Share”).

3. Fair Value of DOT

The investment measured at fair value on a recurring basis and categorized using the three levels of fair value hierarchy consisted of the following as of June 30, 2022 and December 31, 2021:

<u>June 30, 2022</u>	<u>Number of DOT</u>	<u>Per DOT Fair Value</u>	<u>Amount at Fair Value</u>	<u>Fair Value Measurement Category</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in DOT	756,720.47	\$ 6.81	\$ 5,149,483	\$ -	\$ 5,149,483	\$ -

<u>December 31, 2021</u>	<u>Number of DOT</u>	<u>Per DOT Fair Value</u>	<u>Amount at Fair Value</u>	<u>Fair Value Measurement Category</u>		
				<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investment in DOT	757,744.40	\$ 26.33	\$ 19,951,410	\$ -	\$ 19,951,410	\$ -

The Trust determined the fair value per DOT using the price provided at 4:00 p.m., New York time, by the principal market.

As of June 30, 2022, approximately 747,221 of DOT was staked and valued at \$5,084,839. As of December 31, 2021, approximately 752,694 of DOT was staked and valued at \$19,818,433.

The following represents the changes in quantity and the respective fair value of DOT for the six months ended June 30, 2022:

	<u>DOT</u>	<u>Fair Value</u>
Balance at January 1, 2022	757,744.40	\$ 19,951,410
DOT received for Staking Rewards	47,644.97	789,170
DOT distributed for Staking Rewards, related party	(48,668.90)	(812,412)
Net realized loss on investment in DOT	-	(179,871)
Net change in unrealized depreciation on investment in DOT	-	(14,598,814)
Balance at June 30, 2022	756,720.47	\$ 5,149,483

The following represents the changes in quantity and the respective fair value of DOT for the period from April 27, 2021 (commencement of operations) to December 31, 2021:

Osprey Polkadot Trust
Notes to the Financial Statements (unaudited)
As of June 30, 2022

	DOT	Fair Value
Balance at April 27, 2021	-	\$ -
DOT purchases - Subscriptions	748,238.04	17,811,457
DOT received for Staking Rewards	59,261.22	1,788,183
DOT distributed for Staking Rewards, related party	(49,754.86)	(1,476,531)
Net realized loss on investment in DOT	-	(38,956)
Net change in unrealized appreciation on investment in DOT	-	1,867,257
Balance at December 31, 2021	757,744.40	\$ 19,951,410

4. Income Taxes

The Trust is a grantor trust for U.S. federal income tax purposes. Accordingly, the Trust will not be subject to U.S. federal income tax. Rather, each beneficial owner of Shares will be treated as directly owning its pro rata share of the Trust's assets and a pro rata portion of the Trust's income, gain, losses and deductions will "flow through" to each beneficial owner of Shares.

In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the applicable taxing authority and requires measurement of a tax position meeting the "more-likely-than-not" threshold, based on the largest benefit that is more than 50% likely to be realized. As of as of June 30, 2022, and December 31, 2021 the Trust did not have a liability for any unrecognized tax amounts for uncertain tax positions related to federal, state, and local income taxes.

However, the conclusions concerning the determination of "more-likely-than-not" tax positions may be subject to review and adjustment at a later date based on factors including, but not limited to, further implementation guidance, and on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Sponsor of the Trust has evaluated whether or not there are uncertain tax positions that require financial statement recognition and has determined that no reserves for uncertain tax positions related to federal, state and local income taxes existed as of June 30, 2022 and December 31, 2021. The tax year 2021 is subject to examination by taxing authorities.

5. Related Parties

The Sponsor waived management fees until January 1, 2023. For the three months ended June 30, 2022, and for the period from April 27, 2021 (commencement of operations) to June 30, 2021 the trust waived \$58,053 and \$36,927 of management fees, respectively. For the six months ended June 30, 2022 the trust waived \$151,413 of management fees.

Staking rewards payable are recorded in DOT and converted to US Dollars using the fair value of DOT as of the reporting date.

For the three months ended June 30, 2022, and for the period from April 27, 2021 (commencement of operations) to June 30, 2021 the Trust received Staking Rewards in the amount of 23,931 DOT and 7,184 DOT, respectively; and distributed 23,790 DOT and 3,428 DOT to the Sponsor, respectively.

For the six months ended June 30, 2022, the Trust received Staking Rewards in the amount of 47,645

Osprey Polkadot Trust

Notes to the Financial Statements (unaudited)

As of June 30, 2022

DOT; and distributed 48,669 DOT to the Sponsor, respectively.

As of June 30, 2022 and December 31, 2021, 8,482 DOT and 9,506 DOT remains payable, respectively, and is valued at \$57,723 and \$250,305 in the statement of assets and liabilities, respectively.

For the three months ended June 30, 2022, and for the period from April 27, 2021 (commencement of operations) to June 30, 2021, the Trust incurred \$32,550 and \$16,803 unrealized gain, respectively, associated with impact of DOT price fluctuation on staking rewards payable, which is included in net change in unrealized depreciation on investment in DOT in the statement of operations.

For the six months ended June 30, 2022, the Trust incurred \$10,531 unrealized loss associated with impact of DOT price fluctuation on staking rewards payable, which is included in net change in unrealized depreciation on investment in DOT in the statement of operations.

Certain shareholders are related parties of the Trust. The aggregate number of Shares owned by related parties is 3,000, valued at \$2,992, and 5,651 valued at \$21,809 at June 30, 2022, and December 31, 2021, respectively.

6. Risks and Uncertainties

Investment in DOT

The Trust is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in a single asset, DOT. Investing in DOT is currently unregulated, highly speculative, and volatile.

The net asset value of the Trust relates primarily to the value of DOT held by the Trust, and fluctuations in the price of DOT could materially and adversely affect an investment in the Shares of the Trust. The price of DOT has a limited history. During such history, DOT prices have been volatile and subject to influence by many factors including the levels of liquidity.

If DOT exchanges continue to experience significant price fluctuations, the Trust may experience losses. Several factors may affect the price of DOT, including, but not limited to, global DOT supply and demand, theft of DOT from global exchanges or vaults, and competition from other forms of digital currency or payment services.

At any given time, substantially all of the DOT held by the Trust will be staked. Staking supports the operation and governance of the Polkadot Network. Staking has a low but inherent risk of permanent loss of DOT held by the Trust which would have a negative impact on the value of the Shares. Loss, known as “slashing”, can occur due to a failure by the Custodian (or its affiliated staking provider) to properly manage the staked DOT. The Custodian has agreed to fully compensate the Trust for the amount of slashing of the Trust’s DOT bonded to the Polkadot Network by the Custodian or the Custodian’s affiliated staking provider by providing, at the Custodian’s discretion, the Trust with the equivalent number of slashed digital assets or the fair market value of such slashed assets.

The DOT held by the Trust are commingled and the Trust’s Shareholders have no specific rights to any specific DOT. In the event of the insolvency of the Trust, its assets may be inadequate to satisfy

Osprey Polkadot Trust
Notes to the Financial Statements (unaudited)
As of June 30, 2022

a claim by its Shareholders.

There is currently no clearing house for DOT, nor is there a central or major depository for the custody of DOT. There is a risk that some or all of the Trust's DOT could be lost or stolen. The Trust does not have insurance protection on its DOT which exposes the Trust and its Shareholders to the risk of loss of the Trust's DOT. Further, DOT transactions are irrevocable.

Stolen or incorrectly transferred DOT may be irretrievable. As a result, any incorrectly executed DOT transactions could adversely affect an investment in the Trust.

To the extent private keys for DOT addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the DOT held in the associated addresses and the private keys will not be capable of being restored. The processes by which DOT transactions are settled are dependent on the DOT peer-to-peer network, and as such, the Trust is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of DOT.

As digital assets like DOT have grown in popularity and market size, various countries and jurisdictions have begun to develop regulations governing the digital assets industry. Regulators are concerned such a large unregulated person-to-person global economy could potentially enable individuals to evade taxes or launder money. To the extent that future regulatory actions or policies limit the ability to exchange DOT or utilize DOT for payments, the demand for DOT could be reduced. Furthermore, regulatory actions may limit the ability of end-users to convert DOT into fiat currency or use DOT to pay for goods and services. Such regulatory actions or policies would result in a reduction of demand, and in turn, a decline in the underlying unit price of DOT. The effect of any future regulatory change on the Trust or DOT in general is not possible to predict, but such change could be substantial and adverse to the Trust and the value of the Trust's investments in DOT.

7. Indemnifications

In the normal course of business, the Trust enters into contracts with service providers that contain a variety of representations and warranties and which provide general indemnifications. It is not possible to determine the maximum potential exposure or amount under these agreements due to the Trust having no prior claims. Based on experience, the Trust would expect the risk of loss to be remote.

Osprey Polkadot Trust

Notes to the Financial Statements (unaudited)

As of June 30, 2022

8. Financial Highlights

	Three months ended June 30, 2022	Three months ended June 30, 2021 ⁽¹⁾	Six months ended June 30, 2022	Six months ended June 30, 2021 ⁽¹⁾
Per Share Performance				
(for a share outstanding throughout the period)				
Net asset value per share at beginning of period	\$ 3.13	\$ -	\$ 3.86	\$ -
Contribution ⁽²⁾	-	5.00	-	5.00
<i>Net decrease in net assets resulting from operations</i>				
Net investment income	-	-	-	-
Net change in unrealized depreciation on investment	(2.13)	(2.67)	(2.86)	(2.67)
Net decrease in net assets resulting from operations	(2.13)	(2.67)	(2.86)	(2.67)
Net asset value per share at end of period	\$ 1.00	\$ 2.33	\$ 1.00	\$ 2.33
Total return ⁽³⁾	<u>(68.05) %</u>	<u>(53.40) %</u>	<u>(74.09) %</u>	<u>(53.40) %</u>
Supplemental Data				
Ratios to average net asset value				
Expenses ^{(4),(5)}	<u>(10.96) %</u>	<u>(9.47) %</u>	<u>(11.70) %</u>	<u>(9.47) %</u>
Net investment income	<u>- %</u>	<u>- %</u>	<u>- %</u>	<u>%</u>

⁽¹⁾ For the period April 27, 2021 (commencement of operations) to June 30, 2021.

⁽²⁾ Represents NAV at date of initial investment.

⁽³⁾ Not annualized.

⁽⁴⁾ Annualized.

⁽⁵⁾ Such percentage is after management fee waiver.

An individual Shareholder's return, ratios, and per Share performance may vary from those presented above based on the timing of Share transactions.

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the period and assuming redemption on the last day of the period.

9. Subsequent Events

There are no other events that have occurred through August 11, 2022, the date the financial statements were available to be issued, that require disclosure other than that which has already been disclosed in these notes to the financial statements.