

OSPREY BITCOIN TRUST

A Delaware Trust

Sponsored by

Osprey Funds, LLC
520 White Plains Road, Suite 500
Tarrytown, New York 10591
Telephone: (914) 214-4174

Primary Standard Industrial Code: 6221

QUARTERLY REPORT

For the quarterly period ended March 31, 2021

Units Representing Common Units of Fractional Undivided Beneficial Interest
No Par Value Per Unit
Unlimited Units Authorized
8,237,836 Units Issued and Outstanding as of March 31, 2021

OTCQX Market: OBTC

Osprey Funds, LLC (the “Sponsor”), on behalf of Osprey Bitcoin Trust (the “Trust”), is responsible for the content of this quarterly report for the quarter ended March 31, 2021 (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 Bitcoin 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 March 31, 2021. It was prepared as of April 23, 2021.

Capitalized terms used herein shall have the meanings ascribed to them in the Second Amended and Restated Trust Agreement and Declaration of Trust of Osprey Bitcoin Trust, dated as of November 1, 2020 (the “Trust Agreement”) or the Confidential Private Placement Offering Units in Osprey Bitcoin Trust, dated as of March 17, 2021 (“PPM”).¹

¹ The current version of the PPM is available at ospreyfund.io.

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Exhibit 1 Unaudited Financial Statements for the Three Months Ended March 31, 2021.

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 Bitcoin and new technologies such as blockchain technology;
- the inability to redeem Units;
- the economic conditions in the Bitcoin industry and market;
- general economic, market and business conditions;
- the use of technology by us and our vendors, including Fidelity Digital Asset Services, 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; 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 Units. 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 Bitcoin Trust.

The address of the Sponsor is: Osprey Funds, LLC
520 White Plains Road, Suite 500
Tarrytown, New York 10591

The Sponsor's telephone number is: (914) 214-4174

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: Scott Acheychek
Osprey Fund, LLC
520 White Plains Road, Suite 500
Tarrytown, New York 10591
Telephone: (914) 214-4697
Email: IR@ospreyfunds.io

Item 2. Units outstanding.

The only class of securities outstanding is common units of fractional undivided beneficial interest ("Units"), which represent ownership in the Trust. The Trust's trading symbol on the OTC Market of the OTC Markets Group Inc. is "OBTC" and the CUSIP number for its Units is 68839C206.

As of December 31, 2019, there were an unlimited number of Units authorized, and 3,980,129 Units issued and outstanding, that were owned by a single Unitholder. All of the issued and outstanding Units were restricted securities as of December 31, 2019. As of December 31, 2020, there were an unlimited number of Units authorized, and, 4,529,313 Units issued and outstanding. As of December 31, 2020, 4,134,312 Units were unrestricted and 395,500 Units were restricted securities.

As of March 31, 2021, there were an unlimited number of Units authorized, and 8,237,836 Units issued and outstanding. As of March 31, 2020 4,134,312 Units were unrestricted securities and 4,103,524 of the Units were unrestricted securities.

As of March 31, 2021, there were 77 Unitholders owning at least 100 Units and 77 Unitholders of record.

On January 22, 2019, 3,980,129 outstanding Units were sold to a single accredited investor pursuant to Rule 506 of Regulation D under the Securities Act, and from May 2020 through August 2020, 154,183 Units were sold to both accredited and non-accredited investors in an offering of up to \$5,000,000 of Units, dated June 1, 2020, registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act. The 3,980,129 Units sold

pursuant to Rule 506 of Regulation D Units on January 22, 2019 are currently unrestricted. All of the Units sold pursuant to Rule 504 under the Securities Act are unrestricted. The offering pursuant to Rule 504 under the Securities Act closed on August 12, 2020.

On November 12, 2020, the Trust commenced an offering of Units pursuant to Rule 506(c) of Regulation D under the Securities Act, limited to accredited investors (the “Current Offering”). As of March 31, 2021, there were 4,103,524 Units sold pursuant to the Current Offering, all of which are restricted securities.

Item 3. Unaudited interim financial statements.

The Trust’s unaudited interim financial statements as of and for the three months ended March 31, 2021 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 Objective

The activities of the Trust are limited to (i) issuing Units in exchange for cash or Bitcoins transferred to the Trust as consideration in connection with the issuance of the Units, (ii) transferring or selling Bitcoins, as necessary to cover the 0.49% Management Fee, audit fees, index license fees, aggregate legal fees in excess of \$50,000 and the fees of the Custodian (“Excluded Expenses”) and certain extraordinary expenses of the Trust, including 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 interest of Unitholders, indemnification expenses, fees and expenses related to public trading on OTCQX (“Extraordinary Expenses”). (iii) transferring Bitcoins in exchange for Units surrendered for redemption (subject to obtaining regulatory approval from the SEC and approval from the Sponsor), (iv) causing the Sponsor to sell Bitcoins on the termination of the Trust, (v) making distributions of Bitcoin (including virtual currency incidental to airdrops or forks) or cash from the sale thereof and (vi) engaging in all administrative and security procedures necessary to accomplish such activities in accordance with the provisions of the Trust Agreement and the Custodian Agreement.

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 Bitcoins.

The investment objective of the Trust is for the Units to reflect the value of the Bitcoins held by the Trust, determined by reference to the Bitcoin Index Price (as defined in the PPM, less the Trust's expenses and other liabilities). The Units are intended to constitute a cost-effective and convenient means of gaining investment exposure to Bitcoin. Although the Units will not be the exact equivalent of a direct investment in Bitcoins, they provide investors with an alternative that constitutes a relatively cost-effective way to participate in Bitcoin markets through the securities market.

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

Strategy Behind the Units

The Units are intended to offer investors an opportunity to participate in Bitcoin markets through an investment in securities. The logistics of accepting, transferring and safekeeping of Bitcoins are dealt with by the Sponsor and the Custodian, and the related expenses are built into the price of the Units. Therefore, Unitholders do not have additional tasks or costs over and above those generally associated with investing in any other privately placed security.

The Units are intended to provide Accredited Investors with a simple and cost-effective means, with minimal credit risk, of gaining investment benefits similar to those of directly holding Bitcoins.

Secondary Market Trading

While the Trust's investment objective is for the Units to reflect the value of the Bitcoins held by the Trust, as determined by reference to the Bitcoin Index Price, less the Trust's expenses and other liabilities, the Units may trade in the Secondary Market on the OTCQX (or on another Secondary Market in the future) at prices that are lower or higher than the Bitcoin Holdings per Unit. The amount of the discount or premium in the trading price relative to the Bitcoin Holdings per Unit may be influenced by non-concurrent trading hours and liquidity between OTCQX and larger Bitcoin Exchanges in the Bitcoin Exchange Market. Investors should therefore be willing to risk being unable to sell their Units in a liquid, organized secondary market, potentially leading to a reduction in Unit value.

Trust Expenses

The Trust's only ordinary recurring expenses are expected to be Management Fee, Index License Fees, and Custodian Fees. The Management Fee equals an annual rate of 0.49% of the daily NAV of the Trust and will accrue solely in Bitcoins and will be payable at the Sponsor's sole discretion, in Bitcoins or U.S. dollars for the Bitcoin Market Price in effect for such Bitcoin at the time of such payment. The Management Fee is payable in Bitcoins to the Sponsor monthly in arrears.

To cause the Trust to pay Trust Expenses, the Sponsor will instruct the Custodian to (i) withdraw from the Bitcoin Account the number of Bitcoins equal to the accrued but unpaid Fees and (ii) transfer such Bitcoins to the Sponsor's account at such times as the Sponsor determines in its absolute discretion.

As partial consideration for its receipt of the Management Fee, the Sponsor has assumed the obligation to pay the Sponsor-paid Expenses. The Sponsor has not assumed the obligation to pay Additional Trust Expenses.

After payment of the Sponsor-paid Expenses for the Trust, the Sponsor may use the remaining portion of the Management Fee received from the Trust at its discretion, which may include the payment of fees from time to time for the referral of new investors in the Trust.

The number of Bitcoins represented by a Unit will decline each time the Trust pays the Management Fee or any Additional Trust Expenses by transferring or selling Bitcoins.

Impact of Trust Expenses on the Trust's Bitcoin Holdings

The Trust will sell Bitcoin to pay Trust Expenses. In addition, the Trust will sell Bitcoins to raise the funds needed for the payment of any Extraordinary Expenses or will pay such Extraordinary Expenses in Bitcoins. The Trust's Bitcoin, and the purchase price received as consideration for such sales of Bitcoin, will be the Trust's sole source of funds to cover the Management Fee and any Extraordinary Expenses. Because the number of Bitcoins held by the Trust will decrease when Bitcoins are used to pay Trust Expenses or Extraordinary Expenses or are sold to permit the payment of such expenses, it is expected that the fractional number of Bitcoin represented by each Unit will gradually decrease over the life of the Trust. Accordingly, the Unitholders will bear the cost of the Trust Expenses and Extraordinary Expenses. New Bitcoins deposited into the Trust's Bitcoin Account in exchange for additional new Units issued by the Trust will not reverse this trend.

Bitcoin

Investing in the Units does not insulate the investor from certain risks, including price volatility.

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 for the Three Months ended March 31, 2021.

Item 9. Issuer's certifications.

Certification

I, Gregory D. King, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Osprey Bitcoin Trust;
2. Based on my knowledge, this Quarterly Report 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 Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, 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 Quarterly Report.

Dated: May 17, 2021

/s/ Gregory D. King

By: Gregory D. King

Title: Chief Executive Officer

Osprey Funds, LLC

Certification

I, Robert J. Rokose, certify that:

1. I have reviewed the Quarterly Report, exhibits, and all notes thereto of Osprey Bitcoin Trust;
2. Based on my knowledge, this Quarterly Report 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 Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, 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 Quarterly Report.

Dated: May 17, 2021

/s/ Robert J. Rokose

By: Robert J. Rokose

Title: Chief Financial Officer of
Osprey Funds, LLC

Exhibit 1

Unaudited Financial Statements for the Three Months Ended March 31, 2021



Osprey Bitcoin Trust
Financial Statements

March 31, 2021

Osprey Bitcoin Trust
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Osprey Bitcoin Trust
Statement of Assets and Liabilities
March 31, 2021 (Unaudited) and December 31, 2020 (Audited)

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

	March 31, 2021	December 31, 2020
Assets		
Investment in Bitcoin, at fair value (cost \$75,042,751 and \$7,980,103)	\$ 166,231,142	\$ 44,946,574
Cash	310	25,235
Total Assets	<u>\$ 166,231,452</u>	<u>\$ 44,971,809</u>
Liabilities		
Subscriptions received in advance	\$ -	\$ 25,000
Sponsor's Fee payable	77,369	18,459
Other payable	78,971	21,668
Total Liabilities	<u>156,340</u>	<u>65,127</u>
Net assets	<u>\$ 166,075,112</u>	<u>\$ 44,906,682</u>
Net assets		
Paid-in Capital	\$ 44,906,682	\$ 9,837,135
Subscriptions	67,135,323	3,175,825
Net investment loss	(154,387)	(169,129)
Net realized gain (loss) on investment in Bitcoin	(13,890)	18,466
Net change in unrealized appreciation on investment in Bitcoin	54,201,384	32,044,385
	<u>\$ 166,075,112</u>	<u>\$ 44,906,682</u>
Units issued and outstanding, no par value (unlimited Units authorized)	<u>8,237,837</u>	<u>4,529,312</u> *
Net asset value per Unit	<u>\$ 20.16</u>	<u>\$ 9.91</u> *

* Units have been adjusted retroactively to reflect the 4:1 stock split effective January 5, 2021.

See accompanying notes to the financial statements.

Osprey Bitcoin Trust
Schedule of Investment
March 31, 2021 (Unaudited) and December 31, 2020 (Audited)

March 31, 2021	Units	Fair Value	Percentage of Net Assets
Investments in Bitcoin , at fair value (cost \$75,042,751)	<u>2,811.01</u>	<u>\$ 166,231,142</u>	<u>100 %</u>
December 31, 2020	Units	Fair Value	Percentage of Net Assets
Investments in Bitcoin , at fair value (cost \$7,980,103)	<u>1,548.46</u>	<u>\$ 44,946,574</u>	<u>100 %</u>

See accompanying notes to the financial statements.

Osprey Bitcoin Trust
Statement of Operations
For the periods January 1, 2021 to March 31, 2021 and
January 1, 2020 to March 31, 2020 (Unaudited)

(Amounts in U.S. dollars)

	Three Months Ended March 31,	
	2021	2020
Expenses		
Sponsor's Fee	\$ 103,240	\$ 28,174
Other	51,147	-
	<hr/>	<hr/>
Net investment loss	(154,387)	(28,174)
	<hr/>	<hr/>
Net realized gain (loss) and net change in unrealized appreciation on investment in Bitcoin		
Net realized gain (loss) on investment in Bitcoin	(13,890)	15,630
Net change in unrealized appreciation on investment in Bitcoin	54,201,384	(920,971)
	<hr/>	<hr/>
Net increase in net assets resulting from operations	<u>\$ 54,033,107</u>	<u>\$ (933,515)</u>

See accompanying notes to the financial statements.

Osprey Bitcoin Trust
Statement of Changes in Net Assets
For the periods January 1, 2021 to March 31, 2021 and
January 1, 2020 to March 31, 2020 (Unaudited)

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

	Three Months Ended March 31,	
	2021	2020
(Decrease) increase in net assets from operations		
Net investment loss	\$ (154,387)	\$ (28,174)
Net realized gain (loss) on investment in Bitcoin	(13,890)	15,630
Net change in unrealized appreciation on investment in Bitcoin	54,201,384	(920,971)
Net increase (decrease) in net assets resulting from operations	<u>54,033,107</u>	<u>(933,515)</u>
Net assets at the beginning of the period	44,906,682	9,837,135
Subscriptions	<u>67,135,323</u>	-
Net assets at the end of the period	<u>\$166,075,112</u>	<u>\$ 8,903,620</u>
Change in Units Outstanding		
Units outstanding at the beginning of the period	995,032	3,980,128 *
Subscriptions	<u>7,242,805</u>	-
Units outstanding at the end of the period	<u>8,237,837</u>	<u>3,980,128 *</u>

* Units have been adjusted retroactively to reflect the 4:1 stock split effective January 5, 2021.

See accompanying notes to the financial statements.

Osprey Bitcoin Trust

Notes to the Financial Statements

As of March 31, 2021

1. Organization

Osprey Bitcoin Trust (the “Trust” or “Fund”) is a Delaware Statutory Trust that was formed on January 3, 2019 and commenced operations on January 22, 2019 and is governed by the Second Amended and Restated Declaration of Trust and Trust Agreement (the “Trust Agreement”) dated November 1, 2020. In general, the Trust holds Bitcoin and, from time to time, issues common units of fractional undivided beneficial interest (“Units”) in exchange for Bitcoin. The investment objective of the Trust is for the Units to track the price of Bitcoin, as measured at 4:00 p.m. Eastern Time using the CMBI Index Bitcoin rate shown under the Coin Metrics Bletchley Indexes and administrated by Coin Metrics (“CMBI Price”), less liabilities and expenses of the Trust. The Units are designed as a convenient and cost-effective method for investors to gain investment exposure to Bitcoin similar to a direct investment in Bitcoin.

Osprey Funds LLC (the “Sponsor”) acts as the sponsor of the Trust. 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 pays the Sponsor a Management Fee as discussed in Notes 2 and 5.

The custodian of the Trust (the “Custodian”) is responsible for safeguarding the Bitcoin, Incidental Rights, and IR Virtual Currency held by the Trust. The Trust’s original Custodian was Xapo, Inc. (“Xapo”), a third-party provider (Xapo was acquired by Coinbase Custody Trust Company, LLC during 2019). During March 2020, the Trust changed custodians from Xapo to Unchained Capital. During June 2020, the Trust changed custodians to Fidelity Digital Assets.

The transfer agent for the Trust (the “Transfer Agent”) is Continental Stock Transfer & Trust Company. The responsibilities of the transfer agent are to the issuance and redemption of Units, the payment, if any, of distributions with respect to the Units, the recording of the issuance of the Units and the maintaining of certain records therewith.

The Trust generally records receipt of a new digital asset created due to a hard fork at the time the hard fork is effective. The Trust’s methodology for determining effectiveness of the fork is when two or more recognized exchanges quote prices for the forked coin. The Trust may receive “airdrops” of new digital assets. The use of airdrops is generally to promote the launch and use of new digital assets by providing a small amount of such new digital assets to the private wallets or exchange accounts that support the new digital asset and that hold existing related digital assets. Unlike hard forks, airdropped digital assets can have substantially different blockchain technology that has no relation to any existing digital asset, and many airdrops may be without value. The Trust records receipt of airdropped digital assets when received if there is value to the Trust in doing so. Digital assets received from airdrops have no cost basis and the Trust recognizes unrealized gains equal to the fair value of the new digital asset received.

Osprey Bitcoin Trust

Notes to the Financial Statements

As of March 31, 2021

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements 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 uses fair value as its method of accounting for Bitcoin in accordance with its classification as an investment company for accounting purposes. The Trust is not registered under the 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.

Cash

Cash is received by the Trust and held for investment in bitcoin. Cash held by the Trust represents deposits maintained with Signature Bank (New York).

Issuances and Redemptions of Units

Proceeds received by the Trust from the issuance and sale of Units consist of bitcoin deposits and forked or airdropped cryptocurrency coins from the Bitcoin Network, or their respective U.S. dollar cash equivalents. Such Bitcoins (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 Bitcoins 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 Accredited Investors (subject to obtaining regulatory approval from the Securities and Exchange Commission (“SEC”) described below) in connection with the redemption of Units, (4) distributed (or converted to U.S. dollars, prior to distribution, to Unitholders as dividends, and (5) liquidated in the event that the Trust terminates or as otherwise required by law or regulation.

The Trust conducts its transactions in Bitcoin, including receiving Bitcoin for the creation of Units and delivering Bitcoin for the redemption of Units (if a redemption program were to be established) and for the payment of the Sponsor’s Fee. Since its inception, the Trust has not held cash or cash equivalents.

Osprey Bitcoin Trust
Notes to the Financial Statements
As of March 31, 2021

During June 2020 the Trust began a continuous offering of up to \$5,000,000 of Units with no par value, each Unit representing a fractional undivided beneficial interest in the Trust 154,183 Units were sold to both accredited and non-accredited investors in an offering of to \$5,000,000 of Units, dated June 1, 2020, 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 August 12, 2020.

As of December 31, 2020, there were an unlimited number of Units authorized, and 4,134,312 Units issued and outstanding. 3,980,129 of the issued and outstanding Units were sold to a single accredited investor in January 2019 pursuant to Rule 506 of Regulation D under the Securities Act, (“January 2019 Offering”) and 154,183 Units were sold to both accredited and non-accredited investors in a limited offering registered in Connecticut and qualified in New York, pursuant to Rule 504 of Regulation D under the Securities Act. All of the Units issued and outstanding pursuant to both the January 2019 Offering and the Rule 504 Offering are unrestricted.

On November 12, 2020, the Trust began an offering of an unlimited number of Units pursuant to Rule 506(c) under the Securities Act (“November 2020 Offering”). As of March 31, 2021, there were 4,103,524 Units issued and outstanding pursuant to the November 2020 Offering. All of the Units issued and outstanding pursuant to the November 2020 Offering are currently restricted and may not be resold absent registration or an applicable exemption from registration under the Securities Act.

On December 30, 2020, the Sponsor of the Trust announced that it has declared a four to one split of the Trust’s issued and outstanding Units of fractional undivided beneficial interest. With the Unit split, Unitholders of record on December 31, 2020 received four additional Units of the Trust for each Unit held. The effective date of the split was January 5, 2021. As of March 31, 2021 there were 8,237,836 Units issued and outstanding. 4,103,524 of the Units are restricted securities that may not be resold absent registration or an exemption from registration under the Securities Act, and 4,134,312 of the Units are unrestricted securities.

On January 14, 2021, The Financial Industry Regulatory Authority (“FINRA”) determined that the Trust’s Units met the criteria for trading on the over-the-counter market (“OTC Market”). On February 16, 2021, the Trust’s Units began trading in the OTC Market, operated by OTC Markets Group, Inc., under the ticker symbol “OBTC”. On March 3, 2021, the Trust’s Units began trading in the OTCQX tier of the OTC Market, under the ticker symbol “OBTC.”

The Trust is currently unable to redeem Units. At some date in the future, the Trust may seek approval from the SEC to operate an ongoing redemption program.

Investment Transactions and Revenue Recognition

The Trust records its investment transactions on a trade date basis and changes in fair value are reflected as the net change in unrealized appreciation or depreciation on investments. 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 Bitcoin.

Osprey Bitcoin Trust

Notes to the Financial Statements

As of March 31, 2021

Management Fees and Trust Expenses

The Trust is expected to pay the remuneration due to the Sponsor (the “Management Fee” or “Sponsor Fee”). Effective November 1, 2020, the Management fee changed to an annual rate of 0.49% of the daily Net Asset Value of the Trust and accrues daily in Bitcoin. Prior to November 1, 2020, the Management Fee equaled an annual rate of 0.99% of the daily Net Asset Value of the Trust and accrued daily in Bitcoin. The Management Fee is payable at the Sponsor’s sole discretion, in Bitcoin or in U.S. Dollars for the Bitcoin Market Price in effect for such Bitcoin at the time of payment.

In accordance with its Trust Agreement, the Sponsor bears the routine operational, administrative and other ordinary administrative operating expenses of the Trust as “Assumed Expenses” other than audit fees, index license fees, aggregate legal fees in excess of \$50,000 and the fees of the Custodian (revised “Excluded Expenses”) and certain extraordinary expenses of the Trust, including 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 Delaware Trust Company (the “Trustee ”)) on behalf of the Trust to protect the Trust or the interest of Unitholders, indemnification expenses, fees and expenses related to public trading on OTCQX (“Extraordinary Expenses”).

Fair Value Measurements

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.

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.

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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.

Valuation of Bitcoins and 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 Bitcoin Market Price. The Trust utilizes CMBI Price as the Bitcoin Market price to determine fair value and its principal market. When determining the Trust’s Principal Market, the Trust utilizes select OTC counterparties to determine, at their own discretion and based on market fluctuation, suitable Bitcoin markets. In order to transact with the Trust, OTC counterparties agree to trade Bitcoin based on the Coin Metrics CMBI Bitcoin Index closing price (CMBI Bitcoin Index) at 4:00pm EST. In determining the NAV of the Trust on any business day, the Trust will calculate the price of the Bitcoins held by the Trust as of 4:00 P.M. New York time on such day. The Trust will also calculate the NAV per Unit of the Trust, which equals the NAV of the Trust divided by the number of outstanding Units (the “NAV per Unit”). The Trust will calculate the NAV and NAV per Unit on each business day and these amounts will be published as soon thereafter as practicable on the Trust’s website, at www.ospreyfund.io. The Trust will use the CMBI Price as the Bitcoin Market Price to be used when determining NAV. If no determination of the NAV of the Trust and the NAV per Unit can be made based on the CMBI Price, the Trust will consult publicly available BTC pricing sources, such as exchanges and indexes, to determine such price.

3. Fair Value of Bitcoin

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 March 31, 2021 and December 31, 2020:

<u>March 31, 2021</u>	<u>Number of Bitcoin</u>	<u>Per Bitcoin 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 Bitcoin	<u>2,811.01</u>	<u>\$ 59,135.73</u>	<u>\$ 166,231,142</u>	<u>\$ -</u>	<u>\$ 166,231,142</u>	<u>\$ -</u>
<u>December 31, 2020</u>	<u>Number of Bitcoin</u>	<u>Per Bitcoin 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 Bitcoin	<u>1,548.46</u>	<u>\$ 29,026.66</u>	<u>\$ 44,946,574</u>	<u>\$ -</u>	<u>\$ 44,946,574</u>	<u>\$ -</u>

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The following represents the changes in quantity and the respective fair value of Bitcoin for the year ended December 31, 2020:

	<u>Bitcoin</u>	<u>Fair Value</u>
Balance at January 1, 2020	1,376.48	\$ 9,846,468
Bitcoin distributed for Management Fee, related party	(13.41)	(107,310)
Bitcoin distributed for custody fees	(2.45)	(31,260)
Subscriptions	187.84	3,175,825
Net realized gain on investment in Bitcoin	-	18,466
Net change in unrealized appreciation on investment in Bitcoin	-	<u>32,044,385</u>
Balance at December 31, 2020	<u>1,548.46</u>	<u>\$ 44,946,574</u>

The following represents the changes in quantity and the respective fair value of Bitcoin for the period ended March 31, 2021:

	<u>Bitcoin</u>	<u>Fair Value</u>
Balance at January 1, 2021	1,548.46	\$ 44,946,574
Bitcoin distributed for Management Fee, related party	(1.34)	(56,559)
Bitcoin distributed for custody fees	(0.64)	(21,189)
Subscriptions	1,264.53	67,135,323
Net realized gain on investment in Bitcoin	-	54,240,883
Net change in unrealized appreciation on investment in Bitcoin	-	<u>32,044,385</u>
Balance at March 31, 2021	<u>2,811.01</u>	<u>\$ 166,231,142</u>

4. Income Taxes

The Sponsor believes the Trust qualifies as a grantor trust for U.S. federal income tax purposes. As a grantor trust, the Trust is not subject to U.S. federal income tax. Rather, a pro rata portion of the Trust's income, gains, losses and deductions will "flow through" to each beneficial owner of Units.

If the Trust were not properly classified as a grantor trust, the Trust might be classified as a partnership for U.S. federal income tax purposes. However, due to the uncertain treatment of digital currency, including forks, airdrops and similar occurrences for U.S. federal income tax purposes, there can be no assurance in this regard. If the Trust were classified as a partnership for U.S. federal income tax purposes, the tax consequences of owning Units generally would not be materially different from the tax consequences described herein, although there might be certain differences, including with respect to timing. In addition, tax information reports provided to beneficial owners of Units would be made in a different form. If the Trust were not classified as either a grantor trust or a partnership for U.S. federal income tax purposes, it would be classified as a corporation for such purposes. In that event, the Trust would be subject to entity-level U.S. federal income tax (currently at a maximum rate of 21%) on its net taxable income and certain distributions made by the Trust to Unitholders would be treated as taxable dividends to the extent of the Trust's current and accumulated earnings and profits.

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In accordance with GAAP, the Trust has defined the threshold for recognizing the benefits of uncertain tax positions in the financial statements as “more-likely-than-not” to be sustained by the applicable taxing authority and requires measurement of an uncertain tax position meeting the “more-likely-than-not” threshold, based on the largest benefit that is more than 50% likely to be realized. Tax positions not deemed to meet the “more-likely-than-not” threshold is not recorded as a tax benefit or expense in the current period.

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 March 31, 2021 or December 31, 2020. The Trust’s 2019 and 2020 tax returns are subject to audit by federal, state and local tax authorities.

5. Related Parties

The Trust considers the following entities to be related parties of the Trust: Osprey Funds, LLC and REX Shares, LLC which is under common control with the Sponsor.

For the year ended December 31, 2020, the Trust incurred Management Fees of \$132,210 recorded in the accompanying statement of operations. As of December 31, 2020, there were unpaid Management Fees of \$18,459 which is recorded in the accompanying statement of assets and liabilities. For the period ended March 31, 2021, the Trust incurred Management Fees of \$103,240 recorded in the accompanying statement of operations. As of March 31, 2021, there were unpaid Management Fees of \$77,369 which is recorded in the accompanying statement of assets and liabilities.

The Trust management fee is accrued daily in Bitcoins and will be payable, at the Sponsor’s sole discretion, in Bitcoins or in U.S. dollars at the Bitcoin Market Price in effect at the time of such payment. From inception through the period ended March 31, 2021, all management fees have been made in Bitcoin to the Sponsor.

6. Risks and Uncertainties

Investment in Bitcoin

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

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

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

The Bitcoin held by the Trust are commingled and the Trust's Unitholders have no specific rights to any specific Bitcoin. In the event of the insolvency of the Trust, its assets may be inadequate to satisfy a claim by its Unitholders.

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

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

The SEC has stated that certain digital assets may be considered "securities" under the federal securities laws. The test for determining whether a particular digital asset is a "security" is complex and the outcome is difficult to predict.

If Bitcoin is determined to be a "security" under federal or state securities laws by the SEC or any other agency, or in a proceeding in a court of law or otherwise, it may have material adverse consequences for Bitcoin. For example, it may become more difficult for Bitcoin to be traded, cleared and custodied as compared to other digital assets that are not considered to be securities, which could in turn negatively affect the liquidity and general acceptance of Bitcoin and cause users to migrate to other digital assets. As such, any determination that Bitcoin is a security under federal or state securities laws may adversely affect the value of Bitcoin and, as a result, an investment in the Units.

To the extent that Bitcoin is determined to be a security, the Trust and the Sponsor may also be subject to additional regulatory requirements, including those under the Investment Company Act of 1940, and the Sponsor may be required to register as an investment adviser under the Investment Advisers Act of 1940. If the Sponsor determines not to comply with such additional regulatory and registration requirements, the Sponsor will terminate the Trust. Any such termination could result in the liquidation of the Trust's Bitcoin at a time that is disadvantageous to Unitholders.

To the extent private keys for Bitcoin addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Trust may be unable to access the Bitcoin held in the associated addresses and the private keys will not be capable of being restored. The processes by which Bitcoin transactions are settled are dependent on the Bitcoin 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 Bitcoin.

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On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of the pandemic, including how it may affect the economy and general population.

7. Indemnifications

In the normal course of business, the Trust enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown and this would involve future claims against the Trust that have not yet occurred. Based on experience, the Trust would expect the risk of loss to be remote. Management is not aware of any indemnification matters to be disclosed.

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8. Financial Highlights Per Unit Performance

Per Unit Performance (for a unit outstanding throughout the period)	Three Months Ended March 31,	
	2021	2020
Net asset value per unit at beginning of period	\$ 9.91 *	\$ 9.89
<i>Net increase in net assets resulting from operations</i>		
Net realized and change in unrealized gain on investments	10.28	(0.91)
Net investment loss	(0.03)	(0.03)
Net increase in net assets resulting from operations	10.25	(0.94)
Net asset value per unit at end of period	\$ 20.16	\$ 8.95
Total return	<u>103.43 %</u>	<u>(9.50) %</u>
Supplemental Data		
Ratios to average net asset value		
Expenses	<u>0.71 %</u>	<u>0.99 %</u>
Net investment loss	<u>(0.71) %</u>	<u>(0.99) %</u>

* Units have been adjusted retroactively to reflect the 4:1 stock split effective January 5, 2021.

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

Total return is calculated assuming an initial investment made at the net asset value at the beginning of the year and assuming redemption on the last day of the year. Ratios have been annualized for the partial periods ended March 31, 2021 and March 31, 2020. The net asset value per unit at the beginning of the period for 2021 performance has been adjusted to reflect the stock split that occurred effective January 5, 2021.

9. Subsequent Events

On May 10, 2021 Osprey Funds, LLC announced on May 18, 2021 Osprey Bitcoin Trust will begin calculating its daily NAV using the fair value of Bitcoin based on the price provided by Coinbase Pro, its principal market, as of 4:00 p.m., New York time, on the valuation date.

There are no other events that have occurred through May 17, 2021 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.