

3IQ BITCOIN ETF

(formerly, 3iQ COINSHARES BITCOIN ETF)

Financial Statements

December 31, 2023 and 2022

3IQ BITCOIN ETF
(formerly, 3iQ COINSHARES BITCOIN ETF)

Financial Statements

For the years ended December 31, 2023 and 2022

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Independent Auditor's Report

To the Unitholders of
3iQ Bitcoin ETF (formely 3iQ CoinShares Bitcoin ETF)

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Opinion

We have audited the financial statements of 3iQ Bitcoin ETF (formely 3iQ CoinShares Bitcoin ETF) (hereafter “the Fund”), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income (loss), the statements of changes in equity and the statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information, and the schedule of investment portfolio as at December 31, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter “IFRS Accounting Standards”).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information included in Management’s Report of Fund Performance, other than the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Louis Roy.

*Raymond Chabot Grant Thornton LLP*¹

Montréal
March 28, 2024

¹ CPA auditor, public accountancy permit no. A125741

3iQ BITCOIN ETF

(formerly, 3iQ CoinShares Bitcoin ETF)

Statements of Financial Position As at December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
ASSETS		
Current assets		
Cash	\$ 228,256	\$ 287,379
Digital assets at fair value (Note 5)	166,920,974	191,936,666
	<u>167,149,230</u>	<u>192,224,045</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	107,795	130,866
Management fees payable (Note 6)	144,426	174,947
	<u>252,221</u>	<u>305,813</u>
UNITHOLDERS' EQUITY		
Units	790,320,473	934,330,261
Deficit	(623,423,464)	(742,412,029)
Net assets attributable to holders of redeemable units	<u>166,897,009</u>	<u>191,918,232</u>
	<u>\$ 167,149,230</u>	<u>\$ 192,224,045</u>
Number of redeemable units outstanding	24,573,454	70,387,977
Net assets attributable to holders of redeemable units per unit	\$ 6.79	\$ 2.73

3iQ BITCOIN ETF

(formerly, 3iQ CoinShares Bitcoin ETF)

Statements of Comprehensive Income (Loss) For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Income		
Net realized (losses) on sale of digital assets	\$ (209,734,516)	\$ (349,791,379)
Net change in unrealized appreciation (depreciation) in fair value of digital assets	330,851,450	(215,317,849)
	<u>121,116,934</u>	<u>(565,109,228)</u>
Expenses (Note 10)		
Management fees (Note 6)	1,374,318	5,516,348
Operating costs	365,775	522,059
Custodian fees	185,227	739,200
Administration fees	65,223	65,781
Audit fees	62,471	60,248
Legal fees	53,699	1,898
Unitholder reporting costs	13,902	3,612
Independent review committee fees and expenses	7,754	13,445
Expenses before amounts absorbed by Manager	<u>2,128,369</u>	<u>6,922,591</u>
Expenses absorbed by Manager (Note 6)	—	560,172
Net Expenses	<u>2,128,369</u>	<u>6,362,419</u>
Net income (loss) and comprehensive income (loss)	<u>\$ 118,988,565</u>	<u>\$ (571,471,647)</u>
Weighted average of the number of redeemable units outstanding during the year	27,983,092	95,264,573
Basic and diluted income (loss) per unit*	\$ 4.25	\$ (6.00)

*Based on the weighted average number of units outstanding during the years.

3iQ BITCOIN ETF

(formerly, 3iQ CoinShares Bitcoin ETF)

Statements of Changes in Equity For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

2023	Units		Deficit	Total unitholders' equity
	Number	\$	\$	\$
Balance as at January 1, 2023	70,387,977	934,330,261	(742,412,029)	191,918,232
Net income and comprehensive income	–	–	118,988,565	118,988,565
Issuance of units	48,810,477	230,117,569	–	230,117,569
Redemption of units	(94,625,000)	(374,127,357)	–	(374,127,357)
Balance as at December 31, 2023	24,573,454	790,320,473	(623,423,464)	166,897,009

2022	Units		Deficit	Total unitholders' equity
	Number	\$	\$	\$
Balance as at January 1, 2022	120,825,940	1,100,122,489	(170,940,382)	929,182,107
Net (loss) and comprehensive (loss)	–	–	(571,471,647)	(571,471,647)
Issuance of units	52,562,037	286,354,966	–	286,354,966
Redemption of units	(103,000,000)	(452,147,194)	–	(452,147,194)
Balance as at December 31, 2022	70,387,977	934,330,261	(742,412,029)	191,918,232

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Statements of Cash Flows For the years ended December 31, 2023 and 2022

(Expressed in United States dollars)

	2023	2022
Cash provided by (used in):		
Operating Activities		
Net income (loss) and comprehensive income (loss)	\$ 118,988,565	\$ (571,471,647)
Adjustments for non-cash items		
Net realized losses on sale of digital assets	209,734,516	349,791,379
Net change in unrealized (appreciation) depreciation in fair value of digital assets	(330,851,450)	215,317,849
Change in non-cash balances		
(Decrease) increase in accounts payable and accrued liabilities	(23,071)	9,314
(Decrease) in management fees payable	(30,521)	(713,424)
Proceeds from sale of digital assets	374,694,747	453,066,945
Purchase of digital assets	(188,269,214)	(157,606,932)
Cash provided by operating activities	<u>184,243,572</u>	<u>288,393,484</u>
Financing Activities		
Proceeds from redeemable units issued	189,824,662	163,096,890
Payments for units redeemed	(374,127,357)	(452,147,194)
Cash used in financing activities	<u>(184,302,695)</u>	<u>(289,050,304)</u>
Decrease in cash during the year	(59,123)	(656,820)
Cash, beginning of year	<u>287,379</u>	<u>944,199</u>
Cash, end of year	<u>\$ 228,256</u>	<u>\$ 287,379</u>

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Schedule of Investment Portfolio As at December 31, 2023

(Expressed in United States dollars)

Quantity	Digital Assets owned	Average cost (\$)	Fair value (\$)	% of net asset value
3,972	Bitcoin	134,681,935	166,920,974	100.01
	Net investments owned	134,681,935	166,920,974	100.01
	Other liabilities, net		(23,965)	(0.01)
	Net Assets Attributable to Holders of Redeemable Units		166,897,009	100.00

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Notes to the Financial Statements

December 31, 2023 and 2022

(Expressed in United States dollars)

1. Fund Organization and Nature of Operations:

3iQ Bitcoin ETF (the “Fund”) is an exchange traded investment fund established as a trust which was created under the laws of the Province of Ontario pursuant to a Declaration of Trust dated March 31, 2021 as may be amended from time to time (the “Declaration of Trust”). The address of the Fund’s registered office is 2700 – 161 Bay Street, Toronto, ON M5J 2S1. The Fund commenced active operations on March 31, 2021. The units of the Fund are listed on the Toronto Stock Exchange (“TSX”) (equity symbols: BTCQ and BTCQ.U). On April 11, 2023, the Fund changed its name from 3iQ CoinShares Bitcoin ETF to 3iQ Bitcoin ETF.

3iQ Corp. is the trustee, manager, portfolio manager and promotor of the Fund (the “Trustee” and “Manager”). The Manager is responsible for the management and administration of the Fund, including managing and directing the investments of the Fund. The Fund uses Tetra Trust Company as the custodian and Coinbase Custody Trust Company, LLC as the sub-custodian to oversee the retention, security and transfer of digital assets for the Fund (the “Custodian” and “Sub-Custodian”). The Custodian and Sub-Custodian are independent of the Manager. The Manager’s authorized staff are responsible for coordinating and executing transfers of digital assets between the source of the digital assets, primarily OTC brokers and trading platforms, and the custodial platform in use for the Fund. CIBC Mellon Global Securities Services Company is the administrator (“Administrator”) of the Fund.

The investment objective of the Fund is to seek to provide unitholders of the Fund with exposure to the digital asset bitcoin (“bitcoin”) and the daily price movements of the United States dollar price of bitcoin and the opportunity for long-term capital appreciation. To achieve its investment objectives, the Fund will invest in long-term holdings of bitcoin, purchased from reputable bitcoin trading platforms and OTC counterparties, in order to provide investors with a convenient, safer alternative to a direct investment in bitcoin. The Fund will not speculate with regard to short-term changes in bitcoin prices.

The success of the Fund will be influenced by a number of risk factors associated with investments in bitcoin, including market liquidity and foreign currency exposure.

2. Basis of Presentation:

Basis of accounting

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) as well as the standards governed by the regulation National Instrument 81-106 – Investment Fund Continuous Disclosure.

These financial statements were approved and authorized for issuance by the board of directors of the Manager on March 29, 2024.

Functional and presentation currency

These financial statements are presented in United States dollars, which is the Fund’s functional currency.

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Notes to the Financial Statements

December 31, 2023 and 2022

(Expressed in United States dollars)

3. Material Accounting Policy Information:

The accounting policies set out below have been applied consistently to the years presented in these financial statements.

(a) Digital assets

Digital assets are an open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. The Fund holds digital assets generating profit based on the long-term appreciation in the price of bitcoin. The cost basis of the investments in the digital assets recorded by the Fund is the fair value of the digital assets at the time of purchase. The Fund measures digital assets inventory at its fair value less costs to sell, with any change in fair value less costs to sell being recognized in profit or loss in the period of the change on an average cost basis under the caption Net change in unrealized appreciation (depreciation) in fair value of digital assets. Costs to sell digital assets inventory are immaterial and no allowance is made for such costs.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Digital assets inventory is derecognized when the Fund disposes of the inventory. Net realized gains or losses on sale are determined on an average cost basis and are recognized in profit or loss. Inventory shrinkage arising from denial of access to the economic benefits associated with ownership of digital assets inventory is recognized as an expense in profit or loss on identification.

Refer to Note 4 – Digital assets inventory for further discussion of the Fund's accounting policy in respect of digital assets inventory valuation and the judgment made in determining that such inventory is carried as a commodity.

(b) Financial instruments

Recognition

Financial assets and financial liabilities are recognized on the Statements of Financial Position when the Fund becomes a party to the contractual provisions of the instrument. The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs (where applicable).

Classification

The Fund classifies its financial assets, cash, at cost. The Fund classifies its financial liabilities, accounts payable and accrued liabilities and management fees payable, at cost. The Fund reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Impairment of financial assets

Financial assets measured at amortized cost must be depreciated by the amount of expected credit losses. Given the very short maturity of these financial assets and the financial strength of the counterparties

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3. Material Accounting Policy Information (Continued):

(b) Financial instruments (Continued)

involved, the Manager believes that the risk of loss is very low. For this reason, no impairment was recorded for financial assets measured at cost.

Derecognition

A financial asset is derecognized when either the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

(c) Fair value

The Fund primarily applies the market approach for recurring fair value measurements. Three levels of inputs may be used to measure fair value:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – inputs other than quoted prices included in Level 1 that are observable or can be corroborated by observable market data

Level 3 – unobservable inputs that are supported by no market activity

(d) Net assets attributable to holders of redeemable units, per unit

The net assets attributable to holders of redeemable units, per unit is calculated by dividing the net assets attributable to holders of redeemable units by the total number of units outstanding at the end of the year.

(e) Basic and diluted income (loss) per unit

The basic and diluted income (loss) per unit is based on the net income (loss) divided by the weighted average number of units outstanding during the years.

(f) Foreign currency translation

The Fund's digital assets may be traded in foreign markets. The proceeds of the sale of those digital assets will be realized in the respective currency. Foreign currency positions are subject to gains and losses due to fluctuations in the respective exchange rates. Foreign currency and purchases of digital assets as well as sales of digital assets are translated into the reporting currency at the rate of exchange prevailing at the date of the transaction. Foreign exchange gains and losses on sales of digital assets are included in the Statements of Comprehensive Income (Loss). Unrealized foreign exchange gains and losses on digital assets are included in Net change in unrealized appreciation (depreciation) in fair value of digital assets in the Statements of Comprehensive Income (Loss).

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3. Material Accounting Policy Information (Continued):

(g) Unitholders' equity

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction from the proceeds, net of tax, if applicable.

(h) Income tax

Under the Income Tax Act (Canada), the Fund is defined as a mutual fund trust. All of the Fund's net taxable income for tax purposes (including a sufficient portion of the net realized capital gains) in any year must be distributed to holders of redeemable units to ensure no income tax is payable by the Fund.

The Fund does not record income taxes. Hence, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

(i) Accounting standards issued but not yet applied

The Fund has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than December 31, 2023. These updates are not expected to have a significant impact on the Fund and are therefore not discussed herein.

4. Critical Accounting Estimates and Significant Judgments:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The following are significant management judgments on applying policies of the Fund that have the most significant effects on the financial statements.

Functional currency

The Manager considers the United States dollar to be the functional currency in which the Fund operates, because it is the currency in which, in its opinion, most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. Moreover, the United States dollar is the currency in which the Fund assesses its performance. The Fund issues and redeems its units in United States dollars.

Units classification

IAS 32 – Financial Instruments: Presentation (“IAS 32”) requires that redeemable units or shares of an entity that are equally subordinated but are not identical be classified as a financial liability. The Fund's redeemable units meet the criteria in IAS 32 for classification as equity, as a result of having only one class of units outstanding.

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(Expressed in United States dollars)

4. Critical Accounting Estimates and Significant Judgments (Continued):

Investment entity

The Manager of the Fund evaluated the facts and circumstances to determine whether the Fund meets the definition of an investment entity under IFRS 10 Consolidated Financial Statements.

The Manager concluded that the Fund has more than one investor, the other investors are not related and evaluates their digital assets holdings at their fair value each reporting period. The Manager determined that the Fund does meet the definition of an investment entity, but notes that the Fund does not hold investments that would result in consolidation.

Digital assets inventory

The Manager considers that the Fund's digital assets are a commodity. As IFRS does not define the term "commodity", the Manager has considered the guidance in IAS -8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") that allows an entity to consider the most recent pronouncements of other standards-setting literature bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practice to the extent that these do not conflict with the requirements of IFRS and the International Accounting Standards Board Conceptual Framework. Under United States generally accepted accounting principles (US GAAP) as set out in the Master Glossary of Accounting Standards Codification, a "commodity" has been defined as "products whose units are interchangeable, are traded in an active market where customers are not readily identifiable and are immediately marketable at quoted prices". Based on this definition and the guidance in IAS 8, the Manager has therefore determined that digital assets are a commodity notwithstanding that digital assets lack physical substance.

The Fund's activities include buying and selling digital assets and, therefore, subsequent to initial recognition, digital assets inventory is held at fair value less costs to sell, reflecting the Fund's purpose of holding such digital assets inventory as a commodity in accordance with IAS 2 Inventories. Costs to sell digital assets inventory are immaterial and no allowance is made for such costs. Changes in the amount of digital assets inventory based on fair value are included in profit or loss for the year.

Estimation uncertainties

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Fair value of digital assets

Digital assets consist of bitcoin (see Note 5 for fair value measurement) and are included in current assets.

5. Fair Value Measurement:

The digital assets that are held by the Fund are carried at fair value using Level 2 fair value measurements.

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5. Fair Value Measurement (Continued):

The value of bitcoin in the Fund's portfolio is based on the MarketVector Bitcoin Benchmark Rate index ("BBR") maintained by MV Index Solutions GmbH ("MVIS"). The BBR measures the performance of a digital assets portfolio which invests in bitcoin, utilizing prices from selected exchanges. The closing value is calculated at 4:00 pm eastern standard time.

The estimated fair values of cash, accounts payable and accrued liabilities and management fees payable approximate their respective carrying values due to the short period to maturity.

6. Related Party Transactions:

Management fees

The Manager of the Fund is responsible for managing and directing the undertaking, operations and affairs of the Fund, including managing and directing the investments. The Fund pays an annual management fee to the Manager amounting to 1% of the Fund's net asset value calculated daily and payable monthly, plus applicable taxes, in respect of each of the units of the Fund.

Management fees charged by the Manager occurred in the normal course of operations and the fees are measured at exchange value, which is the amount established and agreed to by the related parties.

Management fees payable to the Manager are disclosed under the caption Management fees payable in the Statements of Financial Position.

Expenses absorbed by the Manager

In its discretion, the Manager may pay certain of the expenses of the Fund out of its own monies but any such payments shall not oblige the Manager to make similar payments in the future, and the Manager's payment of such expenses may be discontinued at any time without notice to unitholders.

The expenses absorbed by the Manager are disclosed under the caption Expenses absorbed by Manager in the Statements of Comprehensive Income (Loss).

CoinShares agreement

On March 31, 2021 the Fund entered into an investment agreement with CoinShares Capital Markets (Jersey) Limited ("CoinShares"). The Manager agreed to rebate CoinShares' proportionate share of management fees and expenses incurred by the Fund in exchange for CoinShares' investment in the Fund.

For the year ended December 31, 2023, the Manager paid CoinShares \$565,421 (December 31, 2022 – \$5,418,895).

On March 8, 2023, CoinShares redeemed their investment in the Fund thereby terminating the investment agreement.

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7. Redeemable Units:

The Fund is authorized to issue an unlimited number of redeemable units of an unlimited number of classes, each of which represents an equal and undivided beneficial interest in the net assets and net income of the Fund attributable to such class. Each unit of each class entitles the holder to vote, with one vote for each unit, and to participate equally with respect to any and all distributions made by the Fund. Units of a class may be consolidated and/or reclassified by the Manager.

The units of the Fund are available to all investors.

Redemption of units

Unitholders may redeem units of the Fund for cash at a redemption price per unit equal to the lesser of 95% of: (i) the closing market price for the units on the TSX on the effective day of the redemption and (ii) the net asset value per unit.

A trading day for the Fund is each day on which: (i) a regular session of the TSX is held; and (ii) the primary market or exchange for the majority of the assets of the Fund is open for trading ("Trading Day").

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the Fund at its registered office by 9:00 a.m. (eastern standard time) on the Trading Day (or such later time on such Trading Day as the Manager may permit).

If a cash redemption request is not received by the delivery deadlines noted immediately above on a Trading Day, the cash redemption request will be effective only on the next Trading Day.

Exchange of units

On any Trading Day, unitholders may exchange the Prescribed Number of Units ("PNU") for cash, or if agreed to by the Manager, for cash and/or portfolio assets held by the Fund.

To effect an exchange of the PNU, a unitholder must submit an exchange request in the form prescribed by the Manager from time to time to the Fund at its registered office by 9:00 a.m. (eastern standard time) on a Trading Day (or such later time on such Trading Day as the Manager may permit). The exchange price will be equal to the net asset value of the units on the effective day of the exchange request, payable by delivery of cash or, if applicable, assets.

If an exchange request is not received by the submission deadline noted immediately above on a Trading Day, the exchange order will be effective only on the next Trading Day.

The Manager may suspend the redemption of units or payment of redemption proceeds of the Fund (i) under certain trading conditions and (ii) with the prior permission of the securities regulatory authorities, for any period not exceeding 30 days during which the Manager determines that conditions exist that render impractical the sale of assets of the Fund or that impair the ability of the Fund Administrator to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the

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7. Redeemable Units (Continued):

suspension is in effect. All unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Date following the termination of the suspension.

Distributions

The Fund does not intend to pay distributions to unitholders, other than the distribution of net income at year end, as described below.

On an annual basis, the Fund will ensure that its income and net realized capital gains, if any, have been distributed to unitholders to such an extent that the Fund will not be liable for ordinary income tax thereon. To the extent that the Fund has not distributed the full amount of its net income or capital gains in any year, the difference between such amount and the amount actually distributed by the Fund will be paid as a “reinvested distribution”. Reinvested distributions by the Fund, net of any required withholding taxes, will be reinvested automatically in additional units at a price equal to the net asset value per unit and the units will be immediately consolidated such that the number of outstanding units following the distribution will equal the number of units outstanding prior to the distribution.

In addition to the distributions described above, the Fund may from time to time pay additional distributions on its units, including without restriction in connection with a special distribution or in connection with returns of capital.

8. Capital Disclosure:

The capital of the Fund is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to the payment of a proportionate share based on the Fund’s net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units.

In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 9, the Fund endeavors to invest the subscriptions received in bitcoin while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of digital assets where necessary.

Conversion of units

On May 14, 2021, April 18, 2022 and April 14, 2023, The Bitcoin Fund announced that unitholders would have the voluntary option to convert all or part of their units (the “Conversion Units”) into units of the Fund as an additional option in connection with The Bitcoin Fund’s annual redemption.

The following table summarizes the conversion of units for the year ended December 31, 2023, and the years to date since its inception.

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8. Capital Disclosure (Continued):

	Conversion Units		Units of the Fund	\$
May 31, 2021	7,098,564	June1,2021	47,325,940	292,800,858
May 31, 2022	3,591,213	June1,2022	23,462,037	123,642,590
May 31, 2023	1,407,888	June1,2023	9,110,477	40,292,907

9. Digital Asset Risk:

Management of digital asset risks

The Fund is subject to various risks including market risk, liquidity risk, and other risks related to its concentration in a single asset, namely bitcoin. Investing in bitcoin is highly speculative and volatile. The investment objective of the Fund is to track the market price of bitcoin, less the Fund's liabilities and expenses, by investing the assets of the Fund in bitcoin. As bitcoin prices rise or fall, the Fund should achieve those gains or suffer those losses. However, there can be no assurance that the Fund matches the gains in bitcoin. The Fund does not employ leverage as part of its investment strategy.

To the extent that private keys for bitcoin addresses are lost, destroyed or otherwise compromised and no backup of the private keys are accessible, the Fund may be unable to access the bitcoin held in the associated address and the bitcoin network will not be capable of restoring the private keys. The risk of losing private keys is mitigated by the services provided by the Sub-Custodian to maintain the safety of the private keys.

The processes by which bitcoin transactions are settled are dependent on the bitcoin peer-to-peer network and, as such, the Fund is subject to operational risk. A risk also exists with respect to previously unknown technical vulnerabilities, which may adversely affect the value of bitcoin.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. Currently, the Fund has its investment highly concentrated in a single asset, bitcoin, which is the mandate of the Fund.

The Custodian and Sub-Custodian

The bitcoins owned by the Fund are held by a highly reputable company in the industry that specializes in providing secure bitcoin storage platforms. The Custodian, and the Sub-Custodian, oversee the retention, security and transfer of bitcoins for the Fund. The Custodian and Sub-Custodian are independent of the Manager. The Custodian and Sub-Custodian are responsible for (i) establishing and maintaining one or more digital wallets and one or more cold storage vault accounts, which are specialized digital wallets for which private keys are maintained on computers or other devices that are not connected to the Internet or any other computer network, (ii) keeping the private keys that provide access to the digital wallets and vault accounts secure, and (iii) facilitating the transfer of bitcoins in accordance with the Manager's instructions.

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9. Digital Asset Risk (Continued):

Security risk

Bitcoins are controllable only by the possessor of both the unique public key and private key relating to the digital wallet in which the bitcoins are held. While the Bitcoin Network requires a public key relating to a digital wallet to be published when used in a spending transaction, if keys are lost or destroyed, this could prevent trading of the bitcoins.

Security breaches, computer malware and computer hacking attacks and bankruptcies have been a prevalent concern in the bitcoin exchange market since the launch of the Bitcoin Network. Any security breach caused by hacking could cause loss of bitcoin investments.

Bitcoin network risk

The open-source structure of the Bitcoin Network protocol means that the core developers of the Bitcoin Network and other contributors are generally not directly compensated for their contributions in maintaining and developing the Bitcoin Network protocol. A failure to properly monitor and upgrade the Bitcoin Network protocol could damage the Bitcoin Network.

10. Expenses:

In addition to the management fees, the Fund will pay all of its own expenses and all administration expenses incurred by the Manager for its duties as the manager to the Fund. Such fees and expenses to be borne by the Fund may include, without limitation: fees and expenses payable to the independent review committee of the Fund; brokerage and trading commissions and other fees and expenses associated with the execution of transactions in respect of the Fund's investment in bitcoin; fees payable to the registrar and transfer agent; fees payable to any custodians and/or sub-custodians for the assets of the Fund as well as the fees of the Fund Administrator and other service providers; licensing fee payable to MVIS to license the BBR; expenses relating to the monitoring of the relationships with the Custodian and Sub-Custodian and other organizations serving the Fund; legal, audit, and valuation fees and expenses; fees payable for listings, the maintenance of listings and filings or other requirements of stock exchanges on which any of the units of the Fund may become listed or quoted; the preparation and supervision costs relating to the calculation and publication of the net asset value; costs and expenses of preparing, printing, and mailing financial and other reports to unitholders, material for unitholders' meetings and securities regulatory filings; costs and expenses of communication with unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; all taxes (including income, capital, federal GST or HST, and provincial/territorial sales taxes); and costs associated with the provision of such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund. The Manager may, from time to time, in its sole discretion, pay a portion of any ongoing expenses of the Fund which would otherwise be payable by the Fund.

For the year ended December 31, 2023, fees payable to Raymond Chabot Grant Thornton LLP ("RCGT") for the audit of the financial statements of the Fund was \$55,192. There were no other fees payable to RCGT.

11. Indemnification of the Manager:

Under the terms of the Declaration of Trust, the Manager shall exercise its powers and discharge its duties thereunder honestly and in good faith and in the best interest of the unitholders of the Fund and in connection

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11. Indemnification of the Manager (Continued):

therewith shall exercise the degree of care, diligence and skill that a reasonably prudent investment fund manager would exercise in comparable circumstances. The Manager shall not be liable to the Fund or to any unitholder for any loss or damage relating to any matter regarding the Fund, including any loss or diminution in the value of the Fund property, except to the extent that the Manager has failed to meet the standard of care set forth above or otherwise failed to comply with its obligations under the Declaration of Trust.

The Manager, its director, officers, employees and agents shall be indemnified and saved harmless by the Fund from all claims in relation to the execution of the duties of the Manager other than any such claims and costs resulting from willful misconduct, bad faith, negligence on the part of the Manager or the failure to meet its standard of care.

12. Subsequent Event:

On December 28, 2023, Monex Group, Inc., a Japanese financial services public company, announced that it will acquire the majority stake in 3iQ Digital Holdings Inc., the parent company of the Manager. The closing date is not yet determined as the share acquisition is subject to regulatory approval.