

INCREDULOUS LABS LIMITED

**REPORT AND SEPARATE FINANCIAL
STATEMENTS**

31 December 2023

INCREDULOUS LABS LIMITED

REPORT AND SEPARATE FINANCIAL STATEMENTS
31 December 2023

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INCREDULOUS LABS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Maik Laske (Appointed on 11 February 2025) Hatem Magdy Elsayed (Appointed on 22 October 2024) Simon Telian (Appointed on 10 June 2022 and subsequently resigned on 22 October 2024) Sebastian Suwejen Hildermann (Appointed on 9 April 2021 and subsequently resigned on 10 June 2022)
Company Secretary:	Hatem Magdy Elsayed (Appointed on 22 October 2024) Simon Telian (Appointed on 10 June 2022 and subsequently resigned on 22 October 2024) Sebastian Suwejen Hildermann (Appointed on 9 April 2021 and subsequently resigned on 10 June 2022)
Independent Auditors:	C.F.S. Coretax Financial Services Ltd Certified Public Accountants and Registered Auditors 15 Taxiarchou Stylianou Demenaga street 2326, Lakatamia Nicosia Cyprus
Registered office:	37 Markou Botsari 1037 Kaimakli Nicosia, Cyprus
Bankers:	Payhawk Limited
Registration number:	HE420380

INCREDULOUS LABS LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited separate financial statements of the Company for the year ended 31 December 2023.

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are making strategic investments in, providing advisory services to and incubating blockchain projects, including the holding and management of related digital assets, as well as the holding of subsidiaries.

Review of current position, and performance of the Company's business

The net profit for the year attributable to the shareholder of the Company amounted to US\$3,240,300 (2022: US\$2,615,452). On 31 December 2023 the total assets of the Company were US\$22,099,565 (2022: US\$19,262,145) and the net assets of the Company were US\$8,734,975 (2022: US\$5,494,675).

Notwithstanding positive net assets at 31 December 2023, these results must be read with Note 3 and the auditor's disclaimer of opinion due to evidence limitations. In line with Note 3, management's immediate priorities are asset recovery and completion of its investigations, with custody and related internal controls being strengthened as described in the particular note—namely, an Internal Control System in place since 1 September 2024; four-eyes and multi-signature wallet governance; documented settlements and recipient-wallet identification; custody supervision, segregation of duties and transaction-cycle controls; formal procedures with periodic reconciliations and ledger mapping; and the deployment of Fireblocks (enterprise-grade platform for moving, storing and issuing digital assets, enabling dual-person approval, key rotation, whitelisting and real-time monitoring/reconciliation) and TRES Finance (analytics over all crypto transactions to support enhanced bookkeeping).

The most important developments of the Company as disclosed in Note 3 are:

- The previously signed 2023 financial statements were withdrawn on 6 November 2024.

- Current management identified suspected misappropriated assets and significant internal-control deficiencies; the related financial effects (including impairment losses and prior year error corrections) are described in the respective notes of these financial statements.

- New management was appointed and governance reorganised; an internal forensic review was initiated with external blockchain analytics support (September–October 2024).

- Strengthening of the Internal Control System (effective 1 September 2024).

- Recovery efforts are ongoing, legal and contractual steps have been initiated to recover assets from prior directors and advisers, including claims relating to specific projects.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 8, 9 and 26 of the separate financial statements.

INCREDULOUS LABS LIMITED

MANAGEMENT REPORT

Future developments of the Company

The Board of Directors notes that the Company remains operational with positive net assets as at 31 December 2023. However, in light of the ongoing investigation, asset recovery initiatives and the control measures being implemented, the Company's operations and financial position continues to evolve. The Board will continue to monitor developments closely and assess their impact.

Way forward statement:

Management is committed to ensuring that the deficiencies and irregularities identified are not repeated. Specific actions taken and planned include:

- continuing to pursue recovery actions in respect of misappropriated assets;
- strengthening internal control systems and corporate governance procedures;
- working closely with legal advisors to resolve outstanding matters; and
- enhancing transparency in financial reporting and monitoring processes.

Management will provide further updates in subsequent financial statements as developments occur.

Going concern basis

The financial statements for the year ended 31 December 2023 have been prepared on a going concern basis. The Board of Directors considers this appropriate, given the Company's positive net asset position, ongoing operations and continued support from its parent company.

However, the Board acknowledges that, in view of the matters described in Note 3, including the withdrawal of prior issued financial statements for the year 2023, investigation into asset misappropriation, and limitations on available documentation, uncertainties remain. These matters were also referenced by the auditor in the disclaimer of opinion. The Board is closely monitoring developments and is constantly reassessing the going concern position as needed.

Results and Dividends

The Company's results for the year are set out on page 32. The Board of Directors, following consideration of the availability of profits for distribution as well as the liquidity position of the Company, does not recommend the payment of a dividend and the net profit for the year is retained.

Development activities

Development expenditure for the year was US\$269.688 (2022: US\$19.287.539). In line with our accounting policy, no development costs were capitalised as such costs were expensed as incurred.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2023 and at the date of this report are presented on page 1. None of the current members, were members of the Board of Directors throughout the year ended 31 December 2023.

There is no specific provision in the Company's Articles of Association relating to the rotation of Directors. Consequently, all the Directors continue in office unless they resign or are removed by shareholders

Operating Environment of the Company

Any significant events that relate to the operating environment of the Company are described in note 1 of the separate financial statements.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 28 of the separate financial statements.

Related party transactions

Disclosed in note 25 of the separate financial statements.


INCREDULOUS LABS LIMITED

MANAGEMENT REPORT

Independent Auditors

The Independent Auditors, C.F.S. Coretax Financial Services Ltd, were appointed in replacement of the previous auditors Amelor Accountants Limited and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Signiert von:

EE01489FEAFB48F...
Hatem Magdy Elsayed
Director

Signiert von:

58C05EDAB23B4F7...
Maik Laske
Director

Nicosia, 19 August 2025



Independent Auditor's Report

To the Directors of INCREDULOUS LABS LIMITED

Report on the Audit of the Separate Financial Statements

Disclaimer of Opinion

We were engaged to audit the separate financial statements of INCREDULOUS LABS LIMITED (the "Company"), which are presented in pages 32 to 86 and comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes of the separate financial statements, including material accounting policy information.

Because of the significance and pervasiveness of the matters described in the Basis for Disclaimer of Opinion section of our report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the accompanying financial statements of INCREDULOUS LABS LIMITED ("the Company").

Accordingly, we do not express an opinion on these financial statements.

Our disclaimer of opinion extends to the comparative information presented for the year ended 31 December 2022, and the related opening balances as at 1 January 2023, since we were likewise unable, because of the same circumstances (described in the Basis for Disclaimer of Opinion section), to obtain sufficient appropriate audit evidence to conclude on their reliability.

Furthermore, as described in the Basis for Disclaimer of Opinion section, our work did identify certain matters involving actual material misstatements in the financial statements, on which we disagree with the relevant information in the financial statements. While these matters on their own would have led to qualifications, they are encompassed within the broader disclaimer because of the pervasive uncertainties and scope limitations explained in the Basis for Disclaimer of Opinion section.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion

I. Suspected fraudulent acts

As set out in Note 3 to the financial statements, as supported by and supplemented with relevant management representations, it is suspected by the current management, following the discovery of numerous indications during 2024, that the Company has experienced material losses from significant fraud comprising one or more fraud schemes or other single or multiple fraudulent acts (to be collectively referred to as the "suspected fraud" or "the fraud", the latter meaning suspected fraud even where not expressly stated, hereafter), principally committed over the period from 2021 to the time of the discovery in 2024. The suspected fraud principally involved asset misappropriation, accompanied by inappropriate, false or misleading, entries in the accounting records or related documents in order to conceal the fact that the affected assets were misappropriated. The acts in question included or were associated with suspected actions with the intention or to the effect of withholding, temporarily or continuing to the date of approval of the financial statements, of digital assets belonging to the Company, held in wallet addresses controlled by the individuals who committed or instigated or were responsible or otherwise associated with the actions. These individuals included a number of former members of the top management and/or senior external advisers of the Company or the Group, including individuals who served as chief executive officers and sole directors of the Company's management board at the time of the principal suspected acts attributable to or associated with them. For clarity and certainty, in view of the exceptional scope for confusion created by the fact of the association with the questionable acts of the two last sole directors that had immediately preceded the current management on the Company's board, references to "management" will – except where specifically stated otherwise – mean the current management, responsible for the preparation of the audited financial statements and the ongoing fraud investigation of these acts. In addition, for easy reference and succinctness, the two successive sole directors in question will be referred to wherever deemed helpful or convenient to the reader as "former director 1" and "former director 2", respectively; or for brevity, FD1 and FD2).

The suspected fraud in our professional judgement has had a pervasive impact on the company's accounting records forming the basis of preparation of the financial statements for the year 2023.

Based on our evaluation of the Company's internal control system, we concluded that the suspected fraudulent acts were facilitated by the absence of effective internal controls, in particular the concentration of authority and access over the Company's digital asset wallets in a sole director of the management board, without adequate segregation of duties or effective oversight by those charged with governance at the parent company level. This weakness in the control environment significantly contributed to the pervasive uncertainties and to our inability to obtain sufficient appropriate audit evidence regarding the affected assets and related transactions.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

I. Suspected fraudulent acts (continued)

The discovery of the suspected fraud in 2024 prompted a multi-faceted Company response that included dismissal of the then chief executive officer, and sole director, included in the group of suspects, and withdrawal of already issued financial statements for the year, which in turn led to withdrawal of the audit report issued thereon by our predecessor auditor, which had expressed an unmodified opinion. The financial statements on which we are issuing this audit report, in place of our predecessor's revoked report, replace those withdrawn financial statements. For clarity, brevity and certainty, the initial withdrawn financial statements may hereafter be referred to as "the withdrawn financial statements"; any references to "the financial statements", or "current financial statements", will mean the revised financial statements on which we are herewith reporting even where not expressly mentioned. The current financial statements incorporate restatements of comparative amounts and opening balances in accordance with IAS 8 to correct errors relating to prior years. The financial statements for 2021 and 2022 themselves were not withdrawn or re-issued.

The Company's investigation and recovery efforts in respect of this matter, in particular to quantify and pursue recovery of the financial loss suffered by the Company and determine and reverse the related impact on the Company's accounting records, were still in progress as at the date of approval of the financial statements and at an early stage of completion, including management's review of a large number of potentially affected significant ledger accounts, balances and transactions, which are thus still subject to material uncertainty. These include the accounts for a number of wallets which, as described in Note 3, all non-custodial wallets historically used by the Company that remained under the control of the former management or an adviser. These wallets were used until the inauguration of the current management, for which certain assets have not yet been handed over by former management and/or the adviser to the current management. Furthermore, the controller or controllers of some of the previously used wallets remain unidentified as of the reporting date.

The Company's investigation and recovery efforts in respect of this matter, in particular to quantify and pursue recovery of the financial loss suffered by the Company and determine and reverse the relative impact on the Company's accounting records, were still in progress as at the date of approval of the financial statements, including management's review of a large number of potentially affected significant ledger accounts, balances and transactions, which are thus still subject to material uncertainty. In particular, there is still a significant number of wallets not under the Company's control identified by the new management in the course of its investigations to have been used in or associated with Company business or transactions during the periods in which the individuals concerned held office or where engaged by the Company, which, due to the number of such wallets identified to date and the overall scope and scale of the investigation remain, as at the date of approval of the financial statements, substantially unexamined.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

I. Suspected fraudulent acts (continued)

Consequently, despite the ongoing efforts to the date of approval of the financial statements by the current management since they took over following the discovery of the suspected fraud in 2024, to investigate and resolve the associated uncertainties in the accounting records, the financial statements, having been prepared from these still highly uncertain accounting records are as a result, as acknowledged by Management in Note 3, subject to a correspondingly high degree of uncertainty, in particular as regards both the existence or occurrence and completeness, but also valuation or accuracy, of assets in the statement of financial position and transactions in the statement of profit and loss and other comprehensive income, as well as classification and ownership of assets, among other assertions. Very material adjustments to several principal line items across the financial statements, notably assets and income and expenses, including the possible emergence of new assets or liabilities, or income or expense items, could have resulted from the findings of the Company's fraud investigation and recovery efforts had they been successfully completed, and all associated matters pending to date been materially resolved to the effect that financial losses, including consequential costs, and impact on the accounting records of the Company caused by or associated with the suspected fraud had been estimated with reasonably sufficient accuracy, as of the date of approval of the financial statements. In fact, to make it even clearer, such is the breadth of the scope of the remaining uncertainties caused by the fraud matter that we are not sufficiently assured, that is, we have not been able to obtain sufficient appropriate evidence, so as to reduce to acceptably low levels the risk of possible material misstatements being present and requiring adjustment, in respect of any of the material line items presented on the face of the financial statements, as to any of the principal assertions of existence or occurrence, valuation or accuracy, or completeness, extending to ownership and cut off, as well as disclosure. Similarly, in respect of the disclosure of and in relation to the suspected fraudulent acts themselves, where, in view of the collective complexity and scale of the acts, and the state (remaining degree of uncertainty) of the accounting records at this stage of the new management's ongoing investigations, again, as explained in section **II/A-disclosure of/on fraud-related events** below, we are unable to consider the risk of inadequacy as acceptably low after completing the audit procedures that we have been able to perform, and reasonably exclude the possibility of amendments being required.

In addition to the pervasive overall impact of the matter, being the principal matter driving this audit and in fact the reason for this audit, of the suspected fraud, including all its relevant consequences, as described above, which was sufficient for forming the conclusion that we should disclaim our opinion, because the risk of the financial statements as a whole being misleading while the aforementioned pending aspects remain unresolved is unacceptably high, the following specific additional matters have been identified during our audit work, using a materiality criterion in which materiality by nature and circumstances was assigned an exceptionally high weight relative to the quantitative materiality threshold because of the risk associated with the previously described extraordinary fraud-related circumstances of the engagement:



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II. Specific additional matters

II.A. Disclosure of/on Fraud-related events

As is common in cases of fraud, suspected as in this case or in other cases actual (where found in court), Management's disclosure of, and in relation to the questionable acts, in the financial statements, incorporated in Note 3 has been subject to restriction, in extent and nature, by the legal risks inherently arising from disclosures of such sensitive nature, about suspected fraudulent acts. Given the complexity and the exceptional nature, in terms of the level and roles of the individuals involved (including successive chief executives and sole directors of the Company), of this case of suspected fraud, we are unable to consider the risk of the disclosure being inadequate, in particular incomplete, and in accordance with the IFRSs as acceptably low. We were unable to obtain sufficient appropriate audit evidence that additional required disclosure would not be required and legally permissible, in particular in relation to related subsequent events (considering that the discovery of the acts in question occurred subsequent to the financial statements date). Similarly, the audit procedures that we were able to perform did not reduce our assessed risk of material misstatement in the fraud-related disclosure as to the other material assertions, including existence or occurrence, rights and obligations, and accuracy and valuation.

II.B. Projects with wallet/token control or ownership, or valuation/impairment, issues

Included in the statement of financial position are intangible assets amounting to US\$9.113.060 and financial assets at fair value through profit and loss amounting to US\$8.926.351, as at 31 December 2023.

These are mostly assets arising from investments in a diverse portfolio of blockchain projects, as well as secondarily holdings of digital currencies, by the Company within the range of its scope of activities as described in Note 1 to the financial statements.

Several of these projects have been impacted by the (suspected) fraud in ways creating material uncertainties precluding a positive conclusion in respect of several — or, in some cases, most or all — principal assertions, including existence, ownership, valuation, and completeness, in respect of the project assets. These projects/assets and the issues faced are individually described below – for the most part or entirely - without disclosing the identity of the Company's counterparty in each case, for reasons of legal confidentiality. In most cases the root cause or initial trigger of the issue is the loss of control of Company wallets associated with the project on cessation or services of the office of one of the suspected individuals previously specified, i.e. the two former sole directors (FD1 and FD2) or the advisor, who had and retained exclusive control over those wallets (to be referred to as "old wallets" hereafter, wherever deemed convenient, meaning wallets under the control of the individuals involved before their normal business relationship with the Company was disrupted and discontinued as a result of identifying the questionable acts).

Our descriptions of the events and other facts under each project are based on management-provided descriptions and representations and other information as corroborated by our audit work. To the extent that we lack sufficient appropriate evidence for the accuracy and reliability of this information, this has been reflected in the conclusions regarding the nature and extent of the modification in each section/project.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.B. Projects with wallet/token control or ownership, or valuation/impairment, issues (continued)

Our descriptions of the events and other facts under each project are based on management-provided information and representations, corroborated to the extent possible by our audit work. Where and to the extent we were unable to obtain sufficient appropriate evidence to corroborate the accuracy or reliability of such information, which constitutes a limitation on the scope of our audit, its impact on the modification of our opinion was considered and is reflected in the relevant section/project conclusion.

Note- Numbering of Projects in section II.B.1 below:

The Numbers used are as per the numbering sequence the Company uses in its financial statements (Notes) and underlying internal records for referencing its projects, not for independent serial numbering by us of the relevant project subsections in our report (section II.B.1).

II.B.1. Projects with wallet/token control or ownership issues

Project 1

This project is included in intangible assets at the amount of US\$1, comprising the cost of acquisition recorded at initial recognition of US\$100.000 and full impairment US\$99.999 recognised in the (restated, i.e. withdrawn and reissued) financial statements for 2023 as a prior period adjustment (PPA) to the opening balances at 1 January 2023, reflecting that it should have been recorded in 2022, as the causes of impairment were an existing condition as at 31 December 2023. The financial statements for 2022 were not withdrawn or reissued, and accordingly no restatement of the 2022 financial statements has been made.

On 22 February 2021, a Company's fellow subsidiary entered into a purchase agreement with Project 1's counterparty to acquire 40.000.000 of Project 1's tokens, for a total consideration of US\$100.000. In June 2022, on termination of the office of the then sole director, FD1, who (according to Company procedure at the time) had exclusive control of the wallet into which the tokens were expected to be received, the Company lost access to this wallet, among others, which it has since not managed to regain.

In July 2024, the contracted-for tokens were transferred into the earlier-mentioned old wallet, and from there subsequently transferred out to unknown wallets. Despite several formal requests from the current management to the former director (FD1), the tokens have to date not been received/recovered by the Company, resulting in the previously mentioned management decision to fully impair the asset, while in the process of pursuing recovery effort, by PPA in the reissued financial statements for 2023, considering the date of loss of access over the old wallet in 2022 as the date the impairment arose.

Legal proceedings are being initiated. The Company is currently in the process of filing a damage claim.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the valuation of this asset, specifically that the carrying amount following full impairment, does not incorporate a material understatement.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Additionally, we were unable to obtain sufficient appropriate audit evidence on ownership and classification of these tokens, as a result of the uncertainty created by the same issue of lack of control by the Company.

Consequently, we were unable to determine whether material adjustments to the project assets' carrying amount might have been necessary.

Although we have secured adequate evidence of the tokens' fair value being immaterial as at the financial statements date, the alleged deprivation of the Company's access and use of the tokens during the relevant period (from cessation of office of FD1 to the financial statements date) could have resulted in a material loss, for example the lost proceeds of sale by the Company at a time when the token's market value was significantly higher, as indicated by external market data (- we did obtain significant external evidence that there have been such higher prices). Such circumstances could give rise to a potential claim by the Company against FD1 for those lost proceeds, subject to the asset recognition criteria of probability of recovery and reliable measurement.

Project 2

This project is included in financial assets at fair value through profit and loss at the amount of US\$1.

On 30 September 2021, the Company invested US\$100.000 in Project 2 under a SAFE, entitling it to 21.972 shares of preferred stock in the issuing company and a Token Purchase Right to acquire an unspecified number of tokens, upon network launch. During 2022, an Asset Transfer Agreement was signed to sell in full the already obtained shares and the still outstanding token rights. The Agreement was executed and on 4 August 2023 the Company received total proceeds of US\$320.000, generating a gain of US\$220.000.

However, according to management, despite the rights already having been sold, 998.410,82 tokens were subsequently received into a Company wallet during 2023, where they remained until the then sole director's (FD 2) office ceased on 22 October 2024 resulting in loss of Company control of the wallet, and have not since being recovered by the Company, despite the new management's repeated requests and other efforts, nor has adequate clarification been provided by the previous management to the current management on how the handover of the tokens is intended to be handled. Current management decided not to make an initial recording entry for this transaction, of receipt of the tokens - effectively at no cost to it - into what it considered was and at the time and remains to date its wallet. However, it has since been pursuing recovery efforts. Had the Company chosen to effect an entry, it would have created an asset in the Intangible Asset category, measured under IAS38-Intangible Assets either at a nominal amount of US\$1 (in view of the absence of a cost) or at the then fair value if it was reliably measurable.

In 2025 the token obtained a listing on centralised crypto exchanges, with opening price at US\$0,34, producing a value of US\$341.157 when applied to the quantity of 998.410,82 tokens. This value could be regarded by the Company, or the buyer of the rights to the tokens which appears to be the legally rightful owner, as a potential loss to either party attributable to the improper withholding of the wallet's control by FD2, in view of the fact that it could have sold the tokens or exchanged them for value, raising the possibility of a receivable claim on the suspect and/or a claim between the two parties (the Company acquiring a liability to the buyer of the rights), subject to asset and liability recognition criteria of probability and measurability.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

We were unable to reduce to an acceptably low level the risk from the uncertainties described above, by obtaining sufficient appropriate audit evidence, on the completeness assertion in respect of an asset, or assets, or liabilities, that may have arisen (and met the recognition criteria) from the described circumstances in relation to the tokens received despite the related rights having been sold; that is, that there were no associated assets or liabilities omitted from recognition.

Additionally, we were unable to obtain sufficient appropriate audit evidence on the existence, as well as ownership and classification (nature), and valuation (as regards possible understatement), of the asset recognised in respect of this project, in financial assets at fair value through profit and loss at the amount of US\$1.

Accordingly, we were unable to determine whether an (upward) adjustment to the carrying amount of the recognised asset, or adjustments in respect of omitted assets or liabilities, or amendments or additions to associated disclosure, in the financial statements would have been required had this matter been resolved as of the financial statements approval date.

Project 3

This project is included in intangible assets at the amount of US\$1, comprising the cost of acquisition recorded at initial recognition of US\$200.000 and full impairment US\$199.999 recognised in 2023.

In 2021, the Company (initially through its parent company, ABAG) entered into a purchase agreement with Project 3's legal entity for transfer to the Company of 7.333.333 tokens, for total consideration of US\$200.000.

The tokens were initially transferred to the parent company's wallet during 2021 against payment of US\$200.000 in the same year. From there in 2023, according to current management, they were mistakenly transferred to a wallet not belonging to the Company, under the control of FD 1, the individual who had been sole director at the time of entering into the agreement but had left office (retaining control of the wallet) by the time of the tokens' transfer (served 2021–2022), and have since not been returned to the Company despite the Company's efforts to that effect, including those of the succeeding sole director, FD 2, who had communicated with his predecessor with the purpose of arranging the tokens' handover prior to his own cessation of office in 2024. Current management therefore decided and effected full impairment of the carrying amount of this asset in 2023, although still in the process of pursuing recovery efforts, including the initiating of legal proceedings.

Although we have secured adequate evidence of the tokens' fair value being immaterial as at the financial statements date, the Company's alleged deprivation of access and use of the tokens during the relevant period (between the relevant director's office cessation date and the financial statements date) could possibly have caused it a substantial loss, for example the lost proceeds from a possible sale by the Company at a time when the token's market value was significantly higher, according to external market data (- we did obtain significant external evidence that there have been such higher prices), which could give rise to a Company receivable from FD1, subject to the asset recognition criteria.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the valuation of this asset, specifically that the carrying amount does not incorporate a material understatement, as well as the ownership and classification of these tokens; and on the adequacy of related disclosure.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Thus, we were unable to determine whether material adjustments to the carrying amount of the asset, or amendment to any related disclosures, in the financial statements would have been needed had this matter been resolved.

Project 4

This project is recognised within intangible assets at the amount of US\$371.547, comprising the cost of acquisition in 2022 recorded at initial recognition of US\$1.000.000 minus the credit of US\$628.426 for the sale within 2023 of 110.050 tokens out of the initially purchased 181.400,5.

On 5 March 2022, the Company purchased 181.400,5 of the project's tokens at US\$1.000.000, which it staked, to increase their number to 209.086,46, by 31 December 2024. The purchase contract was signed by the then sole director, FD 1, (who served 9 April 2021 to 10 June 2022). The tokens were credited to a Company contract wallet subject, from acquisition, to staking with a smart-contract-based vesting schedule, under the control of FD 1.

All tokens received into this wallet from March 2022 to May 2024, both from initial purchase and earned as staking reward, were transferred upon unlock throughout that period from that old wallet to a wallet solely controlled by the successor director, FD 2, from which they were then transferred to three other deposit addresses at Kraken before being sold via the Company's Kraken account (in the name of the Company's fellow subsidiary, nakamo.to GmbH).

In total, to date, of the project's 209.086,46 tokens acquired, through purchasing and staking, 127.941,00 were recovered by the Company and sold, while 81.145,46 either remain unvested or were transferred to addresses that the current management of the Company cannot access.

Since May 2024, the project's additional tokens earned from staking continued (to this day) to be credited to the old wallet controlled by FD 1 from which they were diverted to two unidentified blockchain addresses instead of the wallets controlled by the succeeding director, FD 2, indicating potential misappropriation and increased risk of eventual loss. To date, the controllers and beneficial owners of these unidentified addresses receiving the tokens remain unconfirmed. According to current management, evidence from their investigations to date indicates that the tokens are likely to have been misappropriated by the wallet controller, resulting in loss of value to the Company, either from use or disposal of the tokens, principally the proceeds it could have received by selling the tokens (once vested).

The Company is currently in the process of filing a damages claim in relation to the project.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on this asset's valuation, ownership and classification, as well as the adequacy of related disclosure. On ownership, the uncertainty relates to the risk associated with the control issues. On classification, the uncertainty relates to risk of the nature of the asset, or part of the asset, associated with the project, consisting in a receivable.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Thus, we cannot determine whether material adjustments to the carrying amount of the asset, including possible de-recognition of the asset and/or recognition of another asset or other assets arising out of the circumstances described and meeting the recognition criteria, or amendment to any related disclosures, in the financial statements would have been needed had this matter been resolved.

Project 5

This project is included in intangible assets at the amount of US\$1. This consists of an acquisition cost of US\$1.578.000 and a full impairment allowance against this investment in 2023, for reasons and under circumstances explained below.

The total acquisition cost of US\$1.578.000 includes an amount of US\$250.000 which is the balance of the asset account brought forward at 1 January 2022 having been created by entries in 2021, which management to date cannot identify or explain, in particular associate with any tokens, wallets or other digital assets.

In 2022, the Company entered into a purchase agreement with Project 5 to acquire 7.000.000 Project 5 tokens for the total consideration of US\$28.000, increasing the carrying amount on the asset account to US\$1.578.000. To date, it remains unclear whether these tokens were ever received.

The Company subsequently increased its investment via token swaps by a total of US\$1.300.000, receiving 2.741.020 Project 5 tokens, increasing the project asset's carrying amount to US\$1.578.000. These additional tokens acquired were transferred, in 2023, to an unidentified address controlled by the individual - former director or advisor associated with the project - who conducted the swaps. The identity of the former director or advisor remains unknown.

Management has consequently proceeded to impair fully the investment in 2023, although still in the process of pursuing recovery efforts.

Although we have obtained adequate evidence of the tokens' fair value being immaterial as at the financial statements date, the alleged deprivation of the Company's access and use of the tokens during the relevant period (between cessation of office of the director or services of the advisor and the financial statements date) could possibly have resulted in a material loss, for example the lost proceeds from a sale by the Company at a time when the token's market value was significantly higher (as we have some external evidence that it has been), which could give rise to a potential claim by the Company against the individual concerned for those lost proceeds right, constituting a receivable from the suspect, subject to the probability of recovery and reliable measurement.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the valuation of this asset, specifically that the carrying amount does not incorporate a material understatement, as well as the ownership and classification of these tokens, in view of the control issues and potential claim from the responsible individual as explained.

Thus, we were unable to determine whether material adjustments to this amount, or amendments to any related disclosures, in the financial statements would have been needed had this matter been resolved as of the financial statements approval date.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Project 6

This project is included in intangible assets at the amount of US\$1, comprising the cost of acquisition in 2022 recorded at initial recognition of US\$250.000 and a full impairment allowance against this investment in 2023, for reasons and under circumstances explained below.

On 4 January 2022, the Company acquired 5.000.000 tokens at a cost of US\$250.000. According to management, these tokens to date have not been delivered to the Company, and the Company's then sole director, FD 1, (who served from 9 April 2021 to 10 June 2022), had facilitated the investment using the Company's parent company's funds; however, the name of FD 1, rather than the Company's, was used as the investing party in the purchase agreement. The matter had not been resolved as at the time of cessation of FD 1's office. Following the succession of FD 1 by FD 2, the project counterparty contacted the Company at FD 1's registered company email, during 2023, in relation to the matter of the tokens' delivery, however successor director FD 2 did not successfully follow up with the counterparty to secure a receiving Company wallet address.

Upon identifying the above issues, the current management contacted the counterparty to request amendment of the subscription agreement to substitute the Company name in place of FD 1's name, and to arrange for effecting the delivery of the tokens. The counterparty has not yet effected, or indicated that they will effect, this amendment, or delivery.

Therefore, management resolved, and proceeded, to effect full impairment of the project asset during 2023.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the valuation of this asset, specifically that the carrying amount does not incorporate a material understatement, as well as the ownership and classification of these tokens, in view of the control issues and potential claim from the responsible individual as explained.

Thus, we were unable to determine whether material adjustments to this amount, or amendments to any related disclosures, in the financial statements would have been needed had this matter been resolved as of the financial statements' approval date.

Project 7

Within the statement of financial position's line item Trade and Other Receivables of US\$4.033.727, as per its itemisation in Note 19, are Trade Receivables of US\$2.589.651 which include a receivable of US\$2,539.651 from Project 7.

From 2021, first through its parent company and later directly, the Company entered into a complex set of arrangements with Project 7. These included investment by the Company in Project 7, software development services provided by the Company (largely funded by Project 7), and joint incubation projects with shared costs. These transactions were highly significant, as they generated the majority of the Company's revenues in 2021 and 2022. Current management considers that the history of this collaboration remains unclear, with significant uncertainties remaining in its ongoing investigation, owing to inadequate documentation and explanations available to date.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

In 2021 the Company entered into an agreement granting it rights to acquire tokens to be issued by Project 7. In late 2022, an "exit agreement" was concluded under which the Company sold most of these rights for a stipulated price and agreed to refund to Project 7 the development cost payments it had received. Following execution of this agreement, the parties continued to collaborate. Subsequent to the appointment of the current management, concerns arose regarding the clarity and accuracy of calculations underlying these arrangements, both as regards their terms and manner and extent of execution, in particular of the exit agreement, to the effect that the current position between the parties is highly uncertain, including whether the balance is a receivable due from or a refundable amount payable to Project 7.

Management's review has identified inconsistencies, gaps and discrepancies in the documentation of these arrangements, including incomplete agreements, missing or unclear invoices, and inadequately explained fund flows involving related parties. These uncertainties, in addition to the receivable reported as the current balance between the parties, have possible effects on other related amounts in the financial statements, including the opening retained earnings balance at 1 January 2023 and revenue and expenses for 2023, none of which can be quantified at this stage.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the existence, valuation, accuracy, completeness or classification of the amounts involved, whether actually recognised in the financial statements or potentially omitted, and the risk of material misstatement in the related balances and disclosures has not been reduced to an acceptably low level. Material adjustments to these amounts, and amendments to related disclosures, might therefore have been necessary.

Additionally, in respect of the contingent liabilities that might arise out of these uncertainties, whose disclosure would be appropriate, no such contingencies have been referred to in financial statements Note 26 Contingent Liabilities.

Project 10

In respect of the intangible asset described in Note 17 to the financial statements, relating to an agreement with a portfolio entity that is now the subject of mediation proceedings, management has disclosed the general nature of the matter but, citing paragraph 92 of IAS 37, has not disclosed the amounts involved in order to avoid serious prejudice to the Company's position in the mediation process.

We were unable to obtain sufficient appropriate audit evidence on the adequacy of the disclosure in respect of this matter, and the existence, valuation, accuracy, completeness and classification of the financial statements amounts affected, and thus the risk of material misstatement in the related amounts and disclosures has not been reduced to an acceptably low level. Material adjustments to these amounts, and amendments to related disclosures, might therefore have been necessary.

Additionally, in respect of contingent liabilities that may arise from this matter's uncertainties and would require disclosure, no such contingencies are referred to in Note 26 Contingent Liabilities.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.B.2. Projects in Intangible Assets- valuation/impairment issue

As stated above, included in the statement of financial position are intangible assets amounting to US\$9.113.060. Of this, USD\$8.647.527 related to projects, numbering 27 projects, the rest amounting to US\$465.533 relating to wallet balances. These include those 5 of the 7 Projects with specific ownership/control issues we were able to identify from our audit work in section II.B.1. Projects with wallet/token control or ownership issues above that are classified into Intangible Assets (according to the indication of the classification in each of the respective project sub-sections in II.B.1), which contributed US\$371.578 to the line item's carrying amount, US\$9.113.060. For each of these projects we stated that have not been able to obtain sufficient appropriate evidence in respect of the valuation assertion.

In respect of the remaining 22 of the Company's projects classified as intangible assets, contributing the rest of the line item's carrying value (US\$8.275.949), although we did not identify any similar specific issues for them, in view of the heightened uncertainty arising from the circumstances described in Note 3, we were also unable to obtain sufficient appropriate evidence in respect of their valuation. In particular that all material impairment allowances were accounted for.

Thus, we were unable to determine whether material adjustments to this amount, or amendments to any related disclosures, in the financial statements might have been necessary.

II.B.3 Projects at FVTPL- valuation issue

Included in the statement of financial position are financial assets at fair value through profit or loss (FVPL), comprising assets arising from numerous projects, amounting to US\$8.926.351 at 31 December 2023.

For most, but not all, of these projects management did obtain and provide to us independent external valuation reports at or sufficiently close to the financial statements date to support the value they used as fair value at the financial statements date to measure these projects' assets within the total carrying amount of the financial statements line item.

We comment separately on these two categories in the below sections:

- **II.B.3.1 Projects without external valuation reports**
- **II.B.3.2 Projects with external valuation reports**

II.B.3.1 Projects at FVTPL without external valuation report

Such reports were not provided for the following 5 material (of total 11) FVPL-measured projects, out of 16, contributing US\$1.226.475 towards the total carrying amount of the relevant financial statements line item, US\$8.926.351.

Particulars of which are as follows:



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

- Project "Permanent Ventures, L.P.", carrying value US\$370.500
- Project "Alluo Ltd", carrying value US\$105.975
- Project "VolumeFi Software, Inc.", carrying value US\$350.000
- Project "Mekatek AG", carrying value US\$250.000
- Project "zCloak Network", carrying value US\$150.000

Management was unable to provide, and we were unable to otherwise obtain, sufficiently reliable alternative evidence, of any other form or from any other source. Accordingly, sufficient appropriate audit evidence has not been obtained by us in respect of the valuation of these five project assets.

Accordingly, we cannot determine whether material adjustments to the project assets' carrying amount might have been necessary.

II.B.3.2 Projects at FVTPL with external valuation report

Even for these 5 projects, for which we have been provided with reports, contributing US\$7.699.870 towards the total carrying amount of the line item, USD\$8.926.351, considering the unresolved uncertainties associated with the former managements responsible for obtaining these reports and the questionable acts in relation to them, we assessed the remaining risk of material misstatements in the project assets' valuation as still unacceptably high, accordingly concluding that have not been able to able to obtain sufficient appropriate audit evidence on project assets' valuation.

Thus, we cannot determine whether material adjustments to the project assets' carrying amount might have been necessary.

II.C. Exchange Platform Accounts - Issues

Binance

There is no asset, or other balance, in the statement of financial position, or any line item in the statement of profit and loss and other comprehensive income, associated expressly with this matter. The issue concerns the assertion of completeness, specifically the risk of omitted balances in the financial statements.

A former director, FD 2, informed the current management that the Company held a Binance account during the financial years 2021 through 2024, with a balance of US\$60.000, controlled by another former director, FD 1. Current management had not previously known of such an account, which could not be identified as included, or otherwise acknowledged, in the Company's accounting records. Access credentials for the Binance account in question were obtained by the current management and were used to examine the account, finding that no movement – initial or subsequent deposits or any other transactions or activity - were ever recorded on the account, meaning that no balance was ever created.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.C. Exchange Platform Accounts - Issues (continued)

The possibility has since been considered, and is still being investigated, that another Binance account, or accounts, with material balances or transactions exist, whether associated with the information given by FD 2 and in particular the balance of US\$60.000 referred to or not, that are unknown to the Company's current management, and thus omitted from the accounting records and the financial statements.

Because of this uncertainty we were unable to obtain sufficient appropriate audit evidence on completeness of the financial statements in respect of financial statements line items, as well as related disclosures, affected by this matter; that is, that the statement of financial position and the statement of profit and loss and other comprehensive income are complete in relation to assets, and possible liabilities created by transactions through such accounts, and income and expense items potentially impacted by the accounts' transactions, respectively.

Accordingly, we cannot determine whether material adjustments would have been required to the carrying amounts of the affected line items assets currently existing in the financial statements, or to introduce omitted assets or liabilities, or any related disclosures, into the financial statements, had this matter been resolved.

Kraken

Included in the statement of financial position are intangible assets amounting to US\$9.113.060, being the total of the carrying amounts of numerous different digital assets accounted for in different accounts, as at 31 December 2023. Included within this total balance is an amount of US\$61.350 in respect of a Kraken Account.

The Kraken Account was opened in 2021 and remains to date in the name of, and appears accordingly to be legally owned by, another entity of the group (Company's fellow subsidiary, nakamo.to GmbH)

The account's movement - including trades, liquidity transactions, withdrawals and deposits - has been recorded in the Company's own accounting records as if it constituted the Company's own transactions from its opening in 2021.

These entries have had a material effect on the Company's revenues and expenses in the statement of profit and loss and other comprehensive income and intercompany balance with nakamo.to GmbH (amounting to US\$2.005.142,42 as at 31 December 2023). The impact, that is, the total amounts included in the statement of profit and loss and other comprehensive income as a result of treating the Kraken account and recording its movements as transactions belonging to the Company could not be estimated, either by management or us, with reasonable accuracy. The effect on the intercompany balance cannot be quantified with reasonable accuracy either. An extensive reconciliation process was needed and effected by management, estimates and approximations were involved, and we were unable to obtain adequate evidence of the accuracy of the process.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.C. Exchange Platform Accounts - Issues (continued)

The total movement through the Kraken account, wholly accounted for in the Company's accounting records, during 2023 was as follows:

- Incomings - US\$8.433.137
- Outgoings - US\$8.373.236

Consequently, because of the uncertainty associated with the effect of inclusion as described of the Kraken account transactions, we have not been able to obtain sufficient appropriate audit evidence on the affected financial statements items, in respect of all material assertions; principally ownership and existence and completeness, as well as accuracy, of the assets and liabilities, in the statement of financial position items, and occurrence and completeness, and accuracy, in the statement of profit and loss and other comprehensive income items.

Accordingly, we cannot determine whether material adjustments to the carrying amounts of the affected financial statements items, or any related disclosures, in the financial statements might have been necessary.

FTX

There is no asset, or other balance, in the statement of financial position, expressly dedicated to or specifically designated for this matter. There has, though, been material impact on balances in the statement of financial position. The issue concerns an account with FTX in respect of which, while it had no balance as at 31 December 23, its movement has been recorded by the Company as if the account - and the transactions through it - were the Company's own although its ownership remains unclear to current management since it was appointed to the date of approval of the financial statements. Raising uncertainty as to whether the transactions were indeed the company's own and were appropriately accounted for as such, and thus on the effects on the carrying amounts of affected line items in the financial statements, as explained below.

During 2022, the Company recorded numerous incoming and outgoing transactions of equal total value amounting to approximately US\$2.700.000 through an FTX account whose ownership to date was identified as unclear by the current management and remains unconfirmed despite its investigations, to date. These transactions, comprising transfers from the FTX account to a Company wallet and incoming settlements of receivables for services the Company rendered to a former subsidiary, were found, by management and ourselves, to be inadequately supported or explained to an extent higher than the accounting records in general. As 2022 incomings and outgoings equalled each other, there was a zero balance at 31 December 2022, brought forward to 2023 and remaining to date as there has since been no movement or activity on the account. Thus, the uncertainty arising, both from the ownership question and the inadequate documentation, applied only to the opening balances at 31 December 2023, in relation to the financial statements for 2023.

As of the date of approval of the financial statements, despite the efforts of the current management to clarify the ownership of the FTX account, the uncertainties over both the account's ownership and the exact nature and purpose of the 2022 transactions through it remain unresolved.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.C. Exchange Platform Accounts - Issues (continued)

Management's efforts were hampered by the fact that FTX collapsed in November 2022 following a surge in customer withdrawals that reportedly exposed significant financial reporting irregularities. According to management, the Company lost all access to the account. Management's only indication that the Company is the beneficial owner of the account is based solely on the accounting entries recorded under the responsibility of the former accountant in 2022, whose reliability management questions. No confirmation of any relevant particulars has been obtained from FTX representatives.

Consequently, because of the uncertainty associated with the effect of inclusion as described of the FTX account transactions, as well as the inadequate documentation supporting them, we have not been able to obtain sufficient appropriate audit evidence on the affected statement of financial position items' opening balances and comparatives and statement of profit and loss and other comprehensive income items' comparatives in the financial statements, in respect of all material assertions; principally ownership and existence and completeness, as well as accuracy, of the assets and liabilities, in the statement of financial position items, and occurrence and completeness, and accuracy, in the statement of profit and loss and other comprehensive income items.

Accordingly, we cannot determine whether material adjustments to the carrying amounts of the affected financial statements items, or any related disclosures, in the financial statements might have been necessary.

II.D. Old wallets in Intangible Assets

Included in the statement of financial position are intangible assets amounting to US\$9.113.060 as at 31 December 2023. Included within this total balance is an amount of US\$404.182,51 comprised of the balances of wallets owned, or regarded as owned, by the company. The whole of the total for all wallets of US\$404.182,51 relates to wallets that are not currently, as of the date of approval of the financial statements, under the control of the current management, as per the circumstances described below.

As of 31 December 2023 and the approval date of the financial statements for 2023, all non-custodial wallets used by the company up to 5 August 2024, a few months before cessation of the office of FD 2 on 22 October 2024 (served 10 June 2022 – 22 October 2024), were under the control of one of the former directors, FD1 and FD 2, and the advisor. These wallets were used until the appointment of the current management. The private keys of these wallets were not transferred to the current management on its taking over, something which, as current management holds and we are satisfied is reasonable, is not uncommon or inconsistent with industry best practices.

The totals of the balances of wallets thus out of the control of Current Management, as at the end of each of the last three accounting periods, were:

- 31.12.2024 – US\$3.624,57
- 31.12.2023 – US\$404.182,51
- 31.12.2022 – US\$1.426.706



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

The Company's ongoing investigations have not yet established to what extent upon the departure of FD 1 (9 April 2021 – 10 June 2022) it remains unclear how the handover of wallets and respective funds were done between FD1 and FD2 (10 June 2022 – 22 October 2024).

The new management, in accordance with what it (reasonably based on evidence we obtained) says is best practice in the industry, created new wallets, to which most of the Company's (and Group's) assets were transferred from the old wallets controlled by the former management. However, some balances have not yet been transferred, remaining in old wallets, controlled by former management and/or the advisor. Furthermore, the controller(s) of some of the old wallets remain unidentified as of the reporting date.

Consequently, because of the uncertainty caused by the continuing lack of control over numerous wallets and balances in those wallets, as described above, we have not been able to obtain sufficient appropriate audit evidence on the assets in question, that is, the balances of the wallets not controlled by the Company, totalling US\$404,182,51, in respect of any of the material assertions, notably existence and ownership, and completeness, as well as valuation and accuracy.

Accordingly, we were unable to determine whether material adjustments to the carrying amounts of the assets in question, or amendments to any related disclosures, in the financial statements might have been necessary.

Additionally, the extent to which these entries in the accounting records in respect of the old wallets are supported by documentation and other information and explanations was found by current management to be highly inadequate, creating the uncertainties over the completeness and accuracy of recording of the transactions through the wallets that were raised in respect of the accounting records as a whole, leading to the decision to withdraw and reissue the financial statements for 2023.

II.E. Portfolio Entity Receivable

As stated in section (II.B) above, included in the statement of financial position are trade receivables of US\$2,589,651 (2022: US\$4,224,160) as at 31 December 2023, of which US\$2,539,651 (2022:US\$3,974,160) relates to a receivable from portfolio entity.

As described in section (II.B), this balance is the highly uncertain result of a complex reconciliation and verification process undertaken by current management, which is disputed by portfolio entity, as part of an overall dispute between the two parties on their mutual financial position as it resulted from a highly complex relationship and history of transactions over a number of years, for which the documentation identified was highly deficient.

Accordingly, we have not obtained sufficient appropriate audit evidence over the existence, completeness, accuracy, valuation or ownership of this receivable.

Furthermore, in line with our conclusion expressed in section (II.B), we have not obtained sufficient appropriate audit evidence over the completeness of payables, as well as the disclosure of contingent liabilities, in respect of any related payable balances relating to portfolio entity that may have existed, and met the liability recognition criteria of probability and measurability, but were omitted in the financial statements.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Consequently, we cannot determine whether material adjustments to the carrying amount of the portfolio entity's receivable, or in respect of omitted portfolio entity's payables, or amendments to related disclosures, might have been necessary in the financial statements had this matter been resolved as of the financial statements approval date.

II.F. Transfers to/from Advisor without explained business rationale

No specific balance in the statement of financial position is presented as directly associated with these transactions. The issue is one of uncertainty in the opening balances, and possibly remaining and extended to the closing balances, in the financial statements, as well as the potentially affected amounts in the statement of profit and loss and other comprehensive income.

Our audit procedures designed to obtain evidence on the opening balances at 1 January 2023, rendered particularly important by the knowledge of the suspected fraud, identified that during 2021 and 2022, the accounting records of the Company, prepared under the responsibility of the former accountant, included entries for several transfers of cryptocurrency (stablecoin, USDC) by the Company from its wallets to those of the external advisor referred to in financial statements Note 3 (and earlier in the report) described as loan advances amounting to a total of US\$1,018,526 without sufficient appropriate documentation and/or explanation, including a loan or any other written agreement or recorded evidence of any oral agreement, as well as any information on the business rationale and authorisation of the transaction or arrangement. Although the records did show – and we were able to corroborate – that the assets (equivalent number of same cryptocurrency) were ultimately returned during 2022 to Company's wallets (even though included in the set of old wallets not currently under the current management's control), the uncertainty surrounding these equal and opposite asset transfers to and from the Company may materially affect the opening balances at 1 January 2023 and comparatives for 2022, as well as related disclosures, particularly in respect of completeness, classification, and presentation. These possible effects are not sufficiently determinable from the information available, and material adjustments or amendments in respect of them to the financial statements may ultimately be required.

II.G. Other Receivables & Payables

II.G1. Intercompany Balances

II.G1.1. Payables to parent (ABAG), fellow subsidiary (nakamo.to GmbH) and own subsidiary (Brain Networks Ltd)

Included in the statement of financial position are Trade and Other Payables, of US\$13,364,590, including, as per breakdown in Note 24, payables to the Company's parent, ABAG, a fellow subsidiary, nakamo.to GmbH, and an own subsidiary, Brain Networks Ltd, amounting to US\$10,100,903, US\$2,005,142, and US\$859,468, respectively, as at 31 December 2023.

We were unable to obtain sufficient appropriate audit evidence regarding the existence, validity, accuracy, valuation, ownership or classification, or the completeness (in terms of recording of all movements on each account), of these balances. Accordingly, we cannot determine whether material adjustments to their carrying amounts would have been required.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Accordingly, we were unable to determine whether material adjustments to the payables' carrying amounts might have been necessary.

II.G1.2. Receivable from own subsidiaries (AB FZCO and AB DMCC)

Included in the statement of financial position are Trade and Other Receivables of US\$ 4,033,727, including as per breakdown in Note 19, Receivables from Own Subsidiaries amounting to US\$1,417,310 as at 31 December 2023. This amount comprises balances receivable from two subsidiaries, of US\$1,400,620 and US\$16,690, respectively. No impairment allowances were recorded.

We were unable to obtain sufficient appropriate audit evidence on the valuation of these receivables, in particular whether impairment allowances were required, for impairments existing at the financial statements date. In arriving at this conclusion, due consideration was taken of the actual past and potential future financial effects, direct and indirect, on the group – in particular the debtor subsidiaries, but also in respect of the Company's ability and willingness to exert successful efforts to recover these balances - of the questionable acts and their consequences described in Note 3, which cannot be reasonably estimated or foreseen as of the date of this report.

We were also not able to obtain sufficient appropriate audit evidence in respect of the existence, validity and accuracy, or the completeness (in terms of recording of all movements on each account), of these balances.

Accordingly, we were unable to determine whether material adjustments to the carrying amounts of the assets in question, or amendments to any related disclosures, in the financial might have been necessary.

II.G2. Other creditors

Included in the statement of financial position are Trade and Other Payables, of US\$13,364,590, including, as per breakdown in Note 24, Other Creditors amounting to US\$235,600 as at 31 December 2023.

We were unable to obtain sufficient appropriate audit evidence on the existence and validity, accuracy and valuation, and ownership and classification of this payable.

Accordingly, we were unable to determine whether material adjustments to the payable's carrying amount might have been necessary.

II.G.3. Liabilities- Completeness (principally)

We have been unable to obtain sufficient appropriate audit evidence on the Company's liabilities presented in the financial statements, especially in respect of completeness, taking consideration of the already explained deficiencies in the accounting and control system, which extend to the part of it responsible for generating the information in the financial statements relating to liabilities, as well as the existence of numerous claims between the Company and other parties in connection with the suspected fraud.

Accordingly, we cannot determine whether material adjustments for omitted liabilities, or in respect of any of the other assertions relevant to liabilities, might have been required in the statement of financial position.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.H. Income and Expenses

II.H1. Income

II.H1.1 Revenue

Included in the Statement of Profit or Loss and Other Comprehensive Income is revenue of US\$22.500 (2022: US\$15.395.393).

Although quantitatively below established materiality thresholds, in our assessment the exceptional circumstances leading to such an insignificant level of revenue in the current year, as described in Note 3, render this balance material by nature. These circumstances also create significant uncertainty about whether correct cut-off was observed in preparing the 2022 financial statements, particularly in assigning income earned around year-end to 2022 or 2023. As a result, there is a heightened risk that revenue for 2023 is materially understated due to overstatement in 2022 from premature recognition of income. Accordingly, revenue for 2023 is considered material by nature with respect to the risk of understatement, specifically in the assertions of completeness and cut off, as well as accuracy.

We were unable to obtain sufficient appropriate audit evidence regarding the completeness, accuracy, and cut-off of revenue. Consequently, we were unable to determine whether, and if so to what extent, material adjustments to the reported amount of revenue might have been necessary in respect of understatements caused by incompleteness, incorrect cut off and inaccuracy in its recording.

II.H1.2. Operating Income – Fair value, Gains on disposals and Other income

Included in the Statement of Profit or Loss and Other Comprehensive Income is Operating Income – Fair value, Gains on disposals and Other income of US\$8.220.796 (2022: US\$16.927.695).

In view of the highly uncertain circumstances described in Note 3 to the financial statements and section (I) of this report, in particular the pervasive weakness in the Company's internal control system, we were unable to obtain sufficient appropriate audit evidence regarding the occurrence and validity, completeness, accuracy, and cut-off of this income. Consequently, we were unable to determine whether, and if so to what extent, material adjustments to the reported amount of income in respect of these assertions might have been necessary.

II.H1.3. Dividend income

Included in the retrospective corrections in the opening balances in the financial statements referred to in preceding section (I) of this report (and section (II.J) below), is an adjustment of retained earnings in respect of a subsidiary's dividend receivable accounted for in the financial statements for 2021, at US\$9.082.431. The correcting entry adjusts the dividend's amount from this originally recorded and reported amount to the lower amount, US\$8.538.266. As stated in the relevant financial statement note, Note 11, (as well as Note 3 on the suspected fraud), no written or formal dividend resolution by the board of the subsidiary (Brain Networks Ltd) has been identified by the current management.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.H1.3. Dividend income (continued)

Our understanding from the relevant information provided in Note 11, and management's formal and informal representations, is that the amount of the dividend was reassessed as US\$8.538.266, being the maximum distributable earnings of the subsidiary at that time, after retrospectively correcting in the financial statements for 2023 the misstatements identified in revenue (primarily) and expenses (secondarily) for 2021. However, we were unable to obtain sufficient appropriate audit evidence on the accuracy, validity, and presentation of the related information in Note 11. Furthermore, we concluded that the information given as incomplete, and as a result the Note as a whole is not sufficiently understandable in respect of the information relating to the adjustment of the dividend.

Correspondingly, we were unable to obtain sufficient appropriate audit evidence on the occurrence, completeness, accuracy of the Dividend Income, in respect of this matter.

Accordingly, we were unable to determine whether, and to what extent, material adjustments to the carrying amounts of the affected items in the financial statements, that is, the opening balances of retained earnings and the payable to the subsidiary, or amendments to any related disclosures, in the financial statements might have been necessary.

II.H2. Expenses

II.H2.1. Engineering & Development Services

Included in Operating Expenses – Development, Fair value, Impairment and Other expenses of US\$4.567.952 (2022: US\$29.621.678), in the statement of profit and loss and other comprehensive income is comprised of two categories of expenses as follows:

- Engineering and Development Services - US\$269.688 (2022: US\$19.287.531)
- Commissions and performance fees - US\$354.065 (2022: US\$0)

There were pervasive deficiencies in the explanation and justification of these expenses in the accounting entries and their documentation, including of their authorisation, made available to us, in particular the invoices, which in numerous cases were missing.

Consequently, we have been unable to obtain sufficient appropriate audit evidence in respect of the occurrence, validity and authenticity, classification, completeness, and cut off of these expenses.

Accordingly, material adjustments might have been necessary to their reported amounts.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

II.H2.2. Directors' Salaries

The staff costs of US\$115.116 (2022: US\$62.377), in the statement of profit and loss and other comprehensive income relate wholly and exclusively to Directors' Salaries.

Based on our evidence, there were pervasive deficiencies in the explanation and justification of these reported salaries in the accounting entries and their documentation, including their authorisation or approval.

Consequently, we have been unable to obtain sufficient appropriate audit evidence in respect of the occurrence, validity and authenticity, classification, completeness, and cut off of these expenses.

Accordingly, material adjustments might have been necessary to their reported amounts.

II.H2.3. Other expenses

Even disregarding the fraud and its possible corrupting impact across the financial statements, in view of the extremely weak system of internal control relevant to the production of proper accounting records and fair financial statements, throughout the period of the financial statements, we were unable to obtain sufficient appropriate audit evidence in respect of the remaining expenses (other than those already specifically commented in sections II.H3.1-2 above), in the statement of profit and loss and other comprehensive income, that is, to be sufficiently assured that they are free from material misstatements caused by other (undiscovered) frauds or errors.

Accordingly, we consider that there is an unacceptably high risk that they may incorporate material misstatements caused by such frauds or errors.

Thus, material adjustments might have been necessary to their reported amounts.

II.I. Taxes

Included in the statement of profit or loss and other comprehensive income is a corporation tax charge of US\$ NIL (2022: US\$ NIL), and included in the statement of financial position is a corporation tax liability of US\$ NIL (2022: US\$ NIL), as a result of utilisation of prior year unused tax losses carried forward. No deferred tax assets or liabilities have been accounted for, including in respect of the unused tax losses carried forward and other temporary differences.

Because of the uncertainties described previously in this report, in particular in Section I (Suspected fraudulent acts), Section II.G (Liabilities – Completeness) and Section II.H (Income and Expenses), in particular over the Company's profit or loss for the current year as well as prior years, we were unable to obtain sufficient appropriate audit evidence that these profit-based tax amounts in the financial statements are free from material misstatement, in respect of all major relevant assertions, in particular the accuracy of the reported NIL corporation tax charge and corporation tax liability balance and the completeness of the financial statements as to their corporation and deferred tax-related reported amounts, in particular deferred tax balances and amounts arising from carried-forward losses or temporary differences.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Consequently, we cannot determine whether material adjustments to the financial statements' tax-related figures, both the reported tax expense in the statement of profit or loss and other comprehensive income and current and deferred tax balances in the statement of financial position, or amendments to related disclosures, in the financial statements might have been necessary.

II.J. Disclosures

Further to our detailed reference to our conclusions specifically on the fraud-related disclosure in section **II.A. Disclosure of Fraud-related events**, and our general reference in section **I. Suspected fraudulent acts**, in the context of the exceptionally high uncertainty and scope limitations arising and resulting from the:

- questionable activities of the sole members of the senior management body and the advisor over a period of several years including the whole of the accounting period, and
- their identification and investigation by the current management, including the still highly uncertain litigation and other proceedings and dispute-resolution actions, judicial extra-judicial or other, initiated and in progress or being considered, by Management in respect of the numerous actual and possible claims arising in relation to those individuals as described in Note 3,

In this context, we were unable to obtain sufficient appropriate audit evidence to reduce to acceptable level the risk of material misstatement in the financial statement disclosures as a whole — including, but not limited to, those other than Note 3. Principally in respect of completeness, and secondarily as to existence or occurrence, rights and obligations, and accuracy and valuation.

In particular, this limitation (inability to obtain sufficient appropriate audit evidence) applies to disclosures on subsequent events and contingent liabilities, including Notes 28 and 26, as well as the going concern assumption (Note 6).

Contingent liabilities:

In relation to contingent liabilities, as described in Note 25 Cyprus tax legislation requires entities with related-party transactions to prepare certain transfer pricing documentation. The Company has not prepared such documentation for the years ended 31 December 2022, 2023 and 2024. As a result, there is a risk that the Cyprus Tax Department may impose additional taxes, penalties and interest in respect of those years.

Management has disclosed that it cannot determine the outcome of this matter or estimate its potential financial effect, and accordingly no provision has been recognised.

We were unable to obtain sufficient appropriate audit evidence to reduce the risk of material misstatement in respect of the adequacy, in particular the completeness, of the disclosure of this matter, or of omitted actual liabilities, under IAS 37. Accordingly, we cannot determine whether amendments to disclosures or adjustments to liabilities might have been necessary in respect of this matter.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Basis for Disclaimer of Opinion (continued)

Going concern:

In relation to going concern, as stated in Note 6 the financial statements were prepared on a going concern basis.

We were unable to obtain sufficient appropriate audit evidence that the disclosure provided in respect of the matter was adequate.

II.K. Comparatives and Opening Balances and replacement of prior financial statements

As stated in section (I) of this report, following the discovery of the suspected fraudulent acts, described in financial statement Note 3, the financial statements previously issued for the year ended 31 December 2023 under the responsibility of former directors and accountants were withdrawn by current management and replaced with these financial statements, leading to withdrawal by our predecessor of their audit report too. Errors identified as originating in prior periods, 2021 and 2022, have been corrected in these financial statements by retrospectively restating the comparative amounts and the opening balances in accordance with IAS 8.42. The financial statements for 2021 and 2022 themselves were not withdrawn or reissued.

Our audit procedures addressing opening balances as at 1 January 2023 and the comparative information were substantially increased in view of the heightened risk arising from the suspected fraudulent acts, which extended into prior periods. From these procedures resulted the restatements of some comparatives and opening balances referred to in the preceding paragraph.

However, because of the significance and pervasiveness of the suspected fraud and related matters, and the resulting inability to obtain sufficient appropriate audit evidence, we have not been able to reduce to acceptably low the risk of material misstatements in the comparatives as a whole. Consequently, we were unable to determine whether, and if so to what extent, material adjustments to the reported amounts of the comparatives and opening balances might have been necessary. Accordingly, we are unable to conclude on the comparability of the current year's financial statements with those of the prior periods.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report and the Note 3 "Withdrawal of Financial Statements, Misappropriation of Assets, and Subsequent Corrective Actions" prepared by the management, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Responsibilities of the Board of Directors for the Separate Financial Statements

The Board of Directors is responsible for the preparation of separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our responsibility is to conduct an audit of the Company's separate financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these separate financial statements.

We were independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Matters

Without modifying our disclaimer of opinion expressed above, we draw attention to the fact that the audit of entities whose principal assets and transactions involve digital assets such as cryptocurrencies, tokens, and related blockchain-based arrangements presents inherent challenges not encountered in many other industries.

In particular, the nature of digital assets may limit the availability of external confirmations or observable evidence; access and control over private keys and wallets are critical to existence and ownership assertions; and valuation frequently depends on markets that can be volatile, fragmented, or thinly traded. These industry-specific features heighten the risk of material misstatement and often result in significant practical limitations on the auditor's ability to obtain sufficient appropriate audit evidence.

Accordingly, the matters leading to our disclaimer of opinion should be viewed in the context of these inherent audit challenges in the digital asset sector.

This report has been prepared for and only for the Directors in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Independent Auditor's Report (continued)

To the Directors of INCREDULOUS LABS LIMITED

Comparative figures

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 12 June 2023.

As stated in Note 3, following the discovery of the suspected fraudulent acts, the financial statements previously issued for the year ended 31 December 2023 under the responsibility of former directors and accountants were withdrawn by current management and replaced with these financial statements, leading to withdrawal by our predecessor of their audit report too. Errors identified as originating in prior periods, 2021 and 2022, have been corrected in these financial statements by retrospectively restating the comparative amounts and the opening balances in accordance with IAS 8.42. The financial statements for 2021 and 2022 themselves were not withdrawn or reissued.

Signed by:

7CDE14C39902481...

Chrystalla Petrou
Certified Public Accountant and Registered Auditor
for and on behalf of
C.F.S. Coretax Financial Services Ltd
Certified Public Accountants and Registered Auditors
15 Taxiarchou Stylianou Demenaga street
2326, Lakatamia
Nicosia
Cyprus

Nicosia, 19 August 2025

INCREDULOUS LABS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2023

		2023	2022
	Note	US\$	Restated US\$
Revenue	12	22.500	15.395.393
Staff costs	15	(115.116)	(62.377)
Operating Income – Fair value, Gains on disposals and Other income	13	8.220.796	16.927.695
Impairment charge- investment in subsidiaries		(99)	-
Operating Expenses – Development, Fair value, Impairment and Other expenses	14	<u>(4.567.952)</u>	<u>(29.621.678)</u>
Operating profit		3.560.129	2.639.033
Finance costs	16	<u>(319.829)</u>	<u>(23.581)</u>
Net profit for the year		3.240.300	2.615.452
Other comprehensive income		-	-
Total comprehensive income for the year		<u>3.240.300</u>	<u>2.615.452</u>

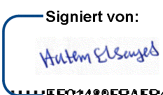
The notes on pages 36 to 86 form an integral part of these separate financial statements.


INCREDULOUS LABS LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2023

		31/12/2023	31/12/2022 As restated	1/1/2022- Opening balance As restated
	Note	US\$	US\$	US\$
ASSETS				
Non-current assets				
Intangible assets	17	9.113.060	9.266.172	9.126.728
Investments in subsidiaries	18	16.338	16.437	13.713
		9.129.398	9.282.609	9.140.441
Current assets				
Trade and other receivables	19	4.033.727	5.617.448	4.340.328
Financial assets at fair value through profit or loss	20	8.926.351	4.347.686	3.470.501
Cash at bank	21	10.089	14.402	-
		12.970.167	9.979.536	7.810.829
Total assets		22.099.565	19.262.145	16.951.270
EQUITY AND LIABILITIES				
Equity				
Share capital	22	1.427	1.427	1.427
Retained earnings		8.733.548	5.493.248	2.877.796
Total equity		8.734.975	5.494.675	2.879.223
Current liabilities				
Trade and other payables	24	13.364.590	13.767.470	14.072.047
		13.364.590	13.767.470	14.072.047
Total equity and liabilities		22.099.565	19.262.145	16.951.270

On 19 August 2025 the Board of Directors of INCREDULOUS LABS LIMITED authorised these separate financial statements for issue.

Signiert von:

EE01489FBAFB48E.....
 Hatem Magdy Elsayed
 Director

Signiert von:

A8C05EDAB23B4F7.....
 Maik Laske
 Director

The notes on pages 36 to 86 form an integral part of these separate financial statements.

INCREDULOUS LABS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2023

	Share capital US\$	Retained earnings US\$	Total US\$
Balance at 1 January 2022 as previously reported	1.427	3.168.570	3.169.997
Correction of prior-period errors (Note 3 & Note 11)	-	(290.774)	(290.774)
Balance at 1 January 2022 as restated	1.427	2.877.796	2.879.223
Net profit for the year	-	2.615.452	2.615.452
Balance at 31 December 2022/ 1 January 2023	1.427	5.493.248	5.494.675
Net profit for the year	-	3.240.300	3.240.300
Balance at 31 December 2023	1.427	8.733.548	8.734.975

As stated in Note 3, following the discovery of the suspected fraudulent acts, described in financial statement Note 3, the financial statements previously issued for the year ended 31 December 2023 under the responsibility of former directors and accountants were withdrawn by current management and replaced with these financial statements, leading to withdrawal by our predecessor of their audit report too. Errors identified as originating in prior periods, 2021 and 2022, have been corrected in these financial statements by retrospectively restating the comparative amounts and the opening balances in accordance with IAS 8.42. The financial statements for 2021 and 2022 themselves were not withdrawn or reissued.

The adjustments primarily relate mainly to:

- (i) correction and reclassification of intangible assets and financial assets at FVTPL, including related receivables and payables;
- (ii) recognition/correction of fair value movements, impairments on previously stated balances; and
- (iii) correction of revenue and related expenses, including a correcting entry adjusting the Dividend Income amount in respect of a subsidiary's Dividend as stated in the relevant Financial Statements note, Note 11.

The quantitative impact on each component of equity is presented in Note 11, together with reconciliations between as previously reported, adjustments and as restated at 31 December 2022 and 1 January 2022.

The notes on pages 36 to 86 form an integral part of these separate financial statements.

INCREDULOUS LABS LIMITED

CASH FLOW STATEMENT

31 December 2023

		2023	2022
		US\$	(Restated) US\$
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Profit before tax		3.240.300	2.615.452
Adjustments for:			
Unrealised exchange profit		(67.431)	(911.752)
Profit from the sale of financial assets at fair value through profit or loss		(573.154)	-
Profit from the sale of intangible assets		(289.835)	(15.861.957)
Fair value (gains)/losses on financial assets at fair value through profit or loss		(4.741.513)	23.403
Impairment charge - investments in subsidiaries	18	99	-
Impairment charge - intangible assets	17	1.053.947	2.020.192
		(1.377.587)	(12.114.662)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		1.583.721	(1.277.120)
Decrease/(increase) in financial assets at fair value through profit or loss		736.002	(1.400.588)
Decrease in trade and other payables		(402.880)	(304.577)
Cash generated from/(used in) operations		539.256	(15.096.947)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of intangible assets	17	(3.699.953)	(4.458.753)
Payment for purchase of investments in subsidiaries	18	-	(2.724)
Proceeds from disposal of intangible assets		3.088.953	15.861.957
Net cash (used in)/generated from investing activities		(611.000)	11.400.480
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange profit		67.431	911.752
Net cash generated from financing activities		67.431	911.752
Net decrease in cash and cash equivalents		(4.313)	(2.784.715)
Cash and cash equivalents at beginning of the year		14.402	2.799.117
Cash and cash equivalents at end of the year	21	10.089	14.402

The notes on pages 36 to 86 form an integral part of these separate financial statements.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

1. Incorporation and principal activities

Country of incorporation

The Company INCREDULOUS LABS LIMITED (the "Company") was incorporated in Cyprus on 9 April 2021 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 37 Markou Mpotsari, 1037 Kaimakli, Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are making strategic investments in, providing advisory services to and incubating blockchain projects, including the holding and management of related digital assets, as well as the holding of subsidiaries.

Operating Environment of the Company

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of approval of these financial statements, the conflict continues, with military activity and related sanctions evolving. The European Union, United States, United Kingdom, Switzerland and other jurisdictions have imposed extensive restrictive measures, including asset freezes, prohibitions on transactions with sanctioned entities and individuals, and trade restrictions. Cyprus has implemented all relevant United Nations and EU sanctions.

On 7 October 2023, the conflict between Israel and Gaza escalated significantly. Although the Company has no direct operations or contractual relationships in the affected territories, the escalation contributes to global economic uncertainty and volatility in financial markets.

These geopolitical events, combined with inflationary pressures, higher interest rates, supply chain disruptions, and energy price volatility, have created a challenging operating environment globally. The crypto asset markets, in which the Company has investments and exposures, have also experienced significant volatility in 2022–2023, with substantial declines in market capitalisation, liquidity constraints and increased counterparty risks.

The Company has no direct exposure to Russia, Ukraine, Belarus, Israel or Gaza. However, indirect impacts including adverse movements in digital asset values, reduced access to capital markets, and changes in investor sentiment may affect financial performance depending on the extent and duration of these conditions. Management has assessed these factors in preparing the financial statements, including in relation to the recoverable amounts of assets, the fair value measurement of digital assets and financial instruments, and going concern.

Based on current information, management does not expect these events to have a material adverse effect on the Company's short-term profitability or operations. Nevertheless, the situation remains volatile and unpredictable, and management will continue to monitor developments and take appropriate action as necessary.

2. Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, the requirements of the Cyprus Companies Law, Cap. 113, and the Cyprus Income Tax Law. They present the financial position, performance and cash flows of Incredulous Labs Ltd ("the Company") on a stand-alone basis and do not include the assets, liabilities, income and expenses of its subsidiaries.

These financial statements should be read together with Note 3, which describes the misappropriation incidents and other issues, the resulting evidence limitations, and internal control revisions implemented from 1 September 2024.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

2. Basis of preparation (continued)

The separate financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The separate financial statements have been prepared under the historical cost convention as modified by the revaluation of, and financial assets and financial liabilities at fair value through profit or loss.

The Company's parent, Advanced Blockchain AG ("ABAG"), is incorporated in Germany and its shares are admitted to trading on the Scale segment of the Frankfurt Stock Exchange, which is classified as an unregulated market. As such, ABAG does not meet the definition of a public-interest entity (PIE) under EU Directive 2006/43/EC as amended by Directive (EU) 2022/2464 (CSRD), nor under Cyprus Companies Law.

Based on the most recent approved financial statements of the Company and its subsidiaries, the group meets the criteria for a medium-sized group as set out in Article 3(5) of the Directive and Section 142 of the Law, and is therefore eligible for this exemption.

Notwithstanding the above statutory exemption, management has resolved to prepare consolidated financial statements for the Company and its subsidiaries on a voluntary basis in accordance with IFRS as adopted by the European Union, in order to provide more comprehensive financial information to shareholders and other stakeholders.

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions

Withdrawal of Previously Issued Financial Statements

On 6th November, 2024, the management board of Incredible Labs Limited (the "Company") and Advanced Blockchain AG (the "Parent Company") jointly decided to withdraw the previously signed financial statements for the year ending 31 December 2023.

The withdrawal was based on the non-acceptance of those financial statements by the group auditor on 28 August 2024, and the subsequent change in the Company's management. This information was also publicly communicated to investors on 28 August 2024 via an ad hoc announcement, informing investors of the discrepancies and the delay of the consolidated financial statements.

The new management of the Company consequently demanded that the former accountant and auditor of the Company to withdraw the financial statements of 2023. Accordingly, the management of the Company signed the formal withdrawal request on 6 November 2024. The former accountant and auditor of the Company has neither formally signed the withdrawal request, nor submitted the 2023 financial statements to the local supervisory bodies in Cyprus.

The initial financial statements for the year ending 31 December 2023, are no longer to be relied upon; nevertheless, they were used as a basis for restatements. The current financial statements have been restated, to the extent possible, to correct misstatements identified both due to error and in relation to identified impairment allowances and other correcting adjustments arising from the misappropriation of funds and/or any other suspicious activities.

The basis for this withdrawal includes:

- Material misstatements suspected to have arisen from misappropriative activities, including those potentially committed by previous Directors;
- Lack of sufficient and reliable documentation supporting entries for major transactions; reversal of entries for transactions without proper supporting documentation (i.e., counter - signed contracts), and crypto-asset flows lacking supporting legal documentation upon execution of various payments;
- Internal control deficiencies that rendered the initial financial statements unreliable, such as lack of documentation for external and intercompany settlements, and the identification and documentation of external receiver wallets.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

Nature and Discovery of Misappropriation of funds

During 2023 initial discrepancies in bookkeeping and suspicious transactions, such as token sale reversal amounting to approximately US\$1.3 million, booked on 31 December 2023 without any proper documentation (i.e., a countersigned contract), were identified in the Company's accounting books.

Subsequently, the group auditor has informed the management that the audit report of the Company's previous auditor will not be accepted (for Group consolidation and auditing purposes), due to inconsistencies in crypto-asset transactions as well as non-compliance with fundamental principles of annual financial statement preparation and auditing.

Following the group auditor's conclusion, the current management together with other team members of the parent company, conducted an internal forensic review and thorough investigation of the Company's books and wallets, examining account activities, investment flows and related transactions. This review was accompanied by the support of an external blockchain-analytics consultant, who assisted in conducting a comprehensive forensic analysis in September and October 2024. During this process, key findings of misappropriation of some assets were identified, such as (i) the 81.145 tokens of Project 4 (detailed below), which were transferred to unknown wallets of crypto exchanges starting in May 2024; and (ii) Project 1 tokens, which were also transferred to unknown wallets in July 2024, among other lost assets.

Based on the conclusion of the group auditor, many additional key findings, supporting the group auditor's initial assessment, underlined the low quality of services provided by the former accounting firm and its lack of diligence in performing its duties. This led the Company's management at that time to decide to withdraw the audit report of the Company for the year ended 31 December 2023, on 6th of November, 2024, which had at that point only been signed by the Company's management. The previous auditor has not delivered a countersigned version.

The foregoing information was also publicly conveyed to investors on 28 August, 2024 via an ad hoc announcement, informing the investors of the discrepancies and the delay of the consolidated financial statements.

The key findings outlined in the previous steps include, among others, the following:

- Funds being transferred to unknown wallets;
- Funds were transferred between the entities within the Group without proper and supporting documentation. In certain cases, funds received in one entity without evidence of authorisation or substantiation, and a portion of these funds was further transferred to unknown external addresses;
- An external advisor controlling several old company wallets;
- Lack of comprehensive documentation supporting accounting entries for transactions with key partners and as well as transactions with exchange accounts (i.e., FTX, Kraken);
- Several impairments not being conducted in the past, primarily in 2022 and 2023;
- Further discovery of apparent misappropriation of funds following the dismissal of the Group's CEO in August 2024, which prompted a multi-faceted Company response.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

Digital Assets:

Wallets:

As of 31 December 2024 and the approval date of these financial statements, all non-custodial wallets historically used by the company before 5 August 2024 remain under the control of the former management or an adviser. These wallets were used until the inauguration of the current management. The private keys of these wallets were not transferred to the current management.

In line with industry best practices, the transfer of private keys between parties is not recommended, as such keys can be reused by prior holders, exposing funds to potential loss. Instead, best practice requires that assets be migrated to new wallets solely controlled by the current management. Accordingly, the Company has taken steps to implement this approach by creating new wallets, to which most of the Group's assets were transferred from the old crypto wallets held by the former management.

It is important to note that certain assets have not yet been handed over by former management and/or the adviser to the current management. Furthermore, the controller(s) of some of the previously used wallets remain unidentified as of the reporting date.

When restating previous financial years, it became apparent that several holdings of the Company had to be impaired, mainly in 2022 and 2023.

These impairments include not only projects that have failed but also tokens that were never transferred to the current management or between former Directors. Accordingly, claims for financial damages relating to some of these assets, which were not transferred to the current management by the former management and advisers have been initiated.

Based on an analysis of all known Company wallets and the related transactions — including both incoming and outgoing transfers to or from unknown wallets — the Company had a net outflow of US\$273.163. It is important to note that this analysis is based on the current set of information available to the current management. The lack of availability of a proper documentation for all historical transactions prevents greater clarity regarding the nature of these transactions.

Tokens lost from Projects/ Ownership and other issues

Project 1:

On 22 February 2021, an entity of the Group entered into a purchase agreement with Project 1 to acquire 40.000.000 of Project 1's token, for total consideration of US\$100.000.

In July 2024, one of the Company's old wallets received Project 1's tokens, which were later transferred to unknown wallets. Despite several formal requests from the current management to the former director—who served between 2021 and 2022—the tokens have not been received or recovered. The respective investment was impaired in 2022 following the director's departure, as the Company lost access to the wallet under this director's control.

The Company is currently in the process of filing a damage claim in relation to Project 1's case.

Project 2:

On 30 September 2021, the Company invested US\$100.000 in Project 2, entitling it to 21.972 shares of preferred stock and future token rights upon network launch. An Asset Transfer Agreement was signed to sell in full the already obtained shares and the outstanding token rights to a buyer, with an effective date of 11 September 2023. The agreement was executed, and the Company subsequently received total proceeds of US\$320.000, generating a gain of US\$220.000.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

However, despite the rights already having been sold, 998.410,82 of Project 2's tokens were subsequently received into an old Company wallet during 2023. Despite the Company's repeated requests, there was no adequate clarification provided by the previous management to the current management on how the handover of these tokens will be handled.

Project 3:

In 2021, the Company (initially through its parent company) entered into a purchase agreement with Project 3 for 7.333.333 tokens, for total consideration of US\$200.000. In 2023, the tokens were still under the control of a former sole director who served between 2021 and 2022. The former director was in communication with the successor to hand over the Company's tokens.

According to current investigation findings, the tokens were mistakenly transferred to an incorrect wallet address also not under the Company's control by the former director and never subsequently received by the Company. Therefore, the invested amount was fully impaired in 2023.

The Company is currently in the process of filing a damage claim in relation to Project 3's case.

Project 4:

On 5 March 2022, the Company purchased 181.400,5 of Project 4's tokens, which by means of staking, later increased to 209.086,46, based on an initial investment of US\$1 million under a contract signed by the former sole director at that time of the Company, who served between 2021 and 2022. The tokens were credited to a Company wallet under the control of this director.

All tokens credited from March 2022 to May 2024 were transferred from the old Company wallet to a primary wallet controlled by the successor Director, served between 2022 and 2024, then split among three additional addresses, and ultimately sold via the Company's Kraken exchange account (in the name of Nakamo.to GmbH, a fellow subsidiary of the Company). In total, to date of Project 4's 209.086,46 tokens, 127.941,00 were recovered by the Company and sold, while 81.145,46 remain partially unvested or were sent to disputed addresses that the current management of the Company cannot access.

After May 2024, Project 4's tokens continued to be credited to the old Company's wallet from which they were diverted to two unknown addresses instead of the wallets controlled by the succeeding director, indicating potential misappropriation and increased risk of eventual loss. To date, the ultimate controllers of these unknown addresses receiving the tokens remain unconfirmed, and in fact it appears from investigations to date the tokens were misappropriated – likely by the wallet handler – causing loss of future vested/locked tokens and respective monetary value the company that could have received by selling the vested/locked tokens.

The Company is currently in the process of filing a damage claim in relation to Project 4's case.

Project 5:

In 2022, the Company entered into a purchase agreement with Project 5 to acquire 7.000.000 of Project 5's tokens for a total consideration of US\$28.000. To date, it remains unclear whether these tokens were ever received.

In addition, the Company increased its investment via token swaps totalling approximately US\$1.300.000, thereby acquiring additional tokens that were transferred, in 2023, to an unknown address controlled by the individual - former director or adviser associated with the project - who conducted the swaps. The identity of the former director or adviser remains unknown.

While working with the former accounting firm ("former accountant") in Q3 2024, the new management was informed of an email from a former adviser stating the Company remained entitled to the tokens sent to the unknown address, on the basis of which the former accountant appears to have effected this entry in the records.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

The current management considered this email an invalid basis for the reversal entry recorded by the former accountant; this questionable reversal entry was a key factor leading to a broader investigation being decided by current management.

Furthermore, in respect of Project 5, the Company entered into a service agreement with Project 5's contracting party in 2022, under which it provided development services and issued an invoice for US\$1.279.999.

Project 6:

On 4 January 2022, the Company acquired 5.000.000 tokens of Project 6 at a cost of US\$250.000 at an average US\$0,05 per token. These tokens to date have not been delivered to the Company. The Company's then sole director, served between 2021 and 2022, had facilitated the investment using the Parent's funds; however, this former director's name, rather than the Company's, was used as the investor in the legal agreement. Project 6 investee contacted the former director's registered company email for the tokens' delivery, during 2023, however the matter had not been resolved as at the time of cessation of the director's employment, and the succeeding director did not successfully follow up with Project 6 investee to provide a receiving Company wallet address.

Upon identifying the above issues, the current management contacted Project 6 founders to request a legal correction of the subscription agreement to include the correct entity name and to arrange for effecting the delivery of Project 6's tokens. Project 6 investee has not yet indicated that they will conduct this correction. Therefore, the respective investment was impaired during the year 2023.

Project 7:

The parent company was involved in transactions with Project 7 since 2021. Once the Company was established in 2021, the aforementioned business relationship was transferred from the parent company to the Company. Initially, this involvement was as one of Project 7's investors, and later it was expanded to include providing software development services and engaging in joint incubation efforts, the costs of which were to be shared by both parties, to the best of our current knowledge.

Project 7 provided funding for almost all developer costs for the Company in 2021, while in 2022 a large proportion (almost or more than 75%) of the developer costs were covered by Project 7 for the Company.

Towards the second half of 2022, the Company exited its position in Project 7 with a substantial profit. However, this was offset by the repayment of the substantial developer payments made in 2021 and 2022, which were stated at the time to have exceeded US\$20 million. According to figures from the former accounting firm and internal calculations by former employees of the Group, the Company settled all its debts to Project 7—incurred through these development costs—through the proceeds from its exit.

Upon scrutinizing the entire interaction between the Company and Project 7, the current management identified several discrepancies and mistakes in the respective calculations, prompting a deeper investigation into the matter — particularly as it involved the majority of the Company's revenues in 2021 and 2022, which were received from Project 7.

The flow of funds received from Project 7 was rather complex: in some cases, funds were received directly in the Company's wallets, while in other cases they were received by another entity of the Group and then later on transferred to the Company's wallets. One of the wallets that was receiving the funds from the other entity of the Group had sent some of the funds to an unknown address and later transferred the remaining funds to a Company wallet controlled either by the former director, who served between 2021 and 2022, or by an adviser who simultaneously held a leadership role in Project 7.

The revised calculation, based on the core components currently known to the current management, indicated that the amount of debt the Company owed to Project 7 was significantly lower than previously reported by the former accounting firm and former employees of the Group. As a result, the Company now has a receivable from Project 7 to compensate for the remaining open balance related to Project 7's exit.

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3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

The current management of the Company did not find any initial written agreement governing the relationship between the Company and Project 7 with respect to the scope of software development services beginning in 2021. Only agreements related to the offsetting of open debts owed by the Company to Project 7 against the latter's exit were found. Furthermore, only partial invoices were found for payments received from Project 7 in 2021 and 2022 — and these were issued not by the Company, but by other entities within the Group.

Project 8:

The Company invested US\$2.000.000 in Project 8, funded by a wholly owned subsidiary. Although the final agreement with Project 8 explicitly named the Company, the investment was booked in the subsidiary's books as an asset of this subsidiary—the same entity from which the dividend income was received.

It was later discovered that the subsidiary's accounting records submitted to the local authorities where the entity is based, differed significantly from those prepared by the former accountant, as the records with the local authorities had recorded almost no transactions for the entity.

The current management understands that, in addition to incorrect accounting records, (which have been corrected as of today), none of the then responsible parties, neither the former management nor the former accountant, filed any tax notifications or returns for the subsidiary. Furthermore, it was identified that a nominee director without sufficient professional background had been appointed to this subsidiary.

The director role has since been transferred to the current management, and the matter has been taken up with local authorities.

Project 9:

On 1 November 2021, the Company invested US\$250.000 in Project 9, entitling it to receive 1.000.000 of Project 9's tokens. The former accountant recorded a sale of Project 9's locked tokens on 31 December 2023 to a purported purchaser ("the Buyer") for total proceeds of US\$2.590.000, based on a sales agreement delivered by the former director on 21 June 2024, despite the fact that the 2023 financial statements had already been signed by the former director on 31 May 2024, underlining that this new sales agreement was not and could not have been accounted for in the former Financial statements (as of 31 December 2023), which had been approved by the former director on 31 May 2024.

During joint video conferences in June and July 2024 with the former accountant of the Company, the group auditor formed the impression that the former accountant was initially (at time of initial preparation of the financial statements) not aware of the sale agreement. This was also confirmed by the former accountant later on to the current management of the Company.

These findings were noted in detail in the presentation slides delivered by the group auditor to the former management and supervisory board on 22 July 2024. Within the same supervisory board meeting on 22 July, 2024, the supervisory board confirmed that it was neither informed by the former director nor approved this sale transaction and respective agreement.

Furthermore, the current management confirms that no evidence of any communication regarding this sale transaction and respective contract was found in the Company's internal records (i.e., the former director's email or the internal Drive) in 2023.

It is important to note that the group auditor stated in the same presentation mentioned above that - according to his analysis of the metadata of - the respective sale agreement was edited on 21 June 2024. The group auditor further stated that the former director informed him that the communication regarding this transaction had taken place via Telegram, where messages are set to expire automatically, which the former director claimed is standard practice in the industry.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

On 15 July 2024, the Company's legal email account received an email from the Buyer exercising his right of withdrawal. As stated in purported purchase agreement, the purchase was ultimately payable once the Project 9 tokens became unlocked, which was expected for July 2024, with the Purchaser having the right to cancel the agreement should the market price for Project 9's token on the unlocking date be below a certain price. By June 2024 and through July, the market price of the Project 9 token was below this threshold. Respectively, the former director subsequently informed the group auditor of this cancellation received by the Buyer. Respectively, the former director subsequently informed the group auditor of this cancellation received by the Buyer.

The current management believes that the validity of the agreement itself, and indeed the entirety of the transaction and cancellation, remains questionable.

Dividend Income:

In 2021, the Company initially recorded dividend income of approximately US\$9,082,431 from a wholly owned subsidiary without a supporting dividend resolution.

The current management reassessed the recognized dividend income to align it with the actual repayment of revenue invoices during and subsequent to that year with a restating amount to US\$8,538,266.

Further investigations by the current management indicated that the dividend income was excessive i.e. higher than distributable profits after adjusting Revenues, principally and expenses secondarily to a match lesser extent, which were questionable existence or authenticity.

Loan Receivable to an Advisor:

During 2021 and 2022, the Company advanced several loan payments to an external advisor totaling US\$1,018,526 without sufficient appropriate documentation, although the funds were ultimately returned during 2022 to Company's owned wallets.

Exchanges Platforms:

FTX Platform:

During 2022, the Company had recorded numerous equally incoming and outgoing transactions each totaling approximately US\$2.7 million through an FTX account whose ownership to date remains unclear. The transactions recorded in the accounting records included transfers from the FTX account to a Company wallet and incoming settlements of receivables for services the Company rendered to a former subsidiary.

The current management, together with other team members of the parent company, has been in continuous communication with FTX to clarify the ownership status of this FTX account; however these communication efforts have proven to be unsuccessful yet, as no satisfactory information has been provided yet by FTX confirming whether the Company or any Group entity ever held such an account.

The former accountant informed the current management that the account was owned by the Company and was operated by two former directors, but the firm held no statements or transaction data extracts evidencing sole, or partial, ownership by the Company or any other entity within the Group.

As of the approval date of these financial statements, despite the efforts of the current management to clarify the ownership of the FTX account, both the ownership issue and the uncertainties over the details of the related transactions remain unresolved.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

Binance Platform:

A former director previously informed the current management that the Company held a Binance account during the financial years 2021 through 2024, with a balance of US\$60.000, controlled by another former director, as per accounting records such a balance or movement was not recognised.

Access credentials for the Binance account were granted to the current management, and on using it was seen that no transactions, balance movements, or any activity were ever recorded on the account, i.e. for any of the years, 2021, 2022, 2023 and 2024 contradicting the former director's statement that the Binance account held US\$60.000. It has been considered but it remains unclear whether other Binance accounts exist, whether associated with the information given by the former director and in particular the balance of US\$60.000 referred to or not, that are unknown to the Company's current management.

Nakamo.to GmbH Kraken Account/ Ownership Issue:

In 2022 and 2023, the Company's books included - and accounted for as its own - transactions, trades, liquidity transactions, withdrawals and deposits conducted through a Kraken account opened and to date maintained in the name of Nakamo.to GmbH, and thus appearing to be legally owned by another Group entity, the Company's fellow subsidiary, to the effect that complicated intercompany reconciliations between the Company and the fellow subsidiary.

The fellow's subsidiary accounting firm informed the current management that former Group management had approved this treatment. The firm also indicated that, although the account's activity was not recognized by the Company in 2021, it should have been, as the Kraken account was mainly used by the Company. The Group's accountants further explained that, for technical reasons, which effectively lay in the fact that the Company had not yet been incorporated at the time, the Kraken account could not be opened in the Company's name and was therefore opened instead under the fellow subsidiary's name - a step they consider common practice when use of accounts is required for an entity's started business before its incorporation.

In 2025, the current management ceased using the Kraken account (as it is not held under the Company's name) and proceeded to open new accounts for its use going forward with other exchange platforms under the Company's name.

Expenses:

In 2021, the Company made numerous batch payments to freelancers involved in development activities, in several cases without corresponding invoices. The situation improved in 2022 following the implementation of a new tool that managed the invoicing process.

In prior years, the Company paid a significant number of developer invoices that were issued to other Group entities. These amounts were recorded as expenses by the Company. As a result, we were unable to determine which of these expenses were actually incurred by the Company itself.

Additionally, the former accounting firm recorded expense summaries that could not be verified based on any calculable methodology or on underlying references supporting the final figures of these summaries.

Adjustments by the end of 2021, 2022 and 2023

As at 31 December 2021, 2022, and 2023, the current management observed a number of adjustments made by the former accounting firm, including reversals of asset sales, changes to developer costs, and changes to bank and exchange account balances, without sufficient explanations or supporting documentation.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

Performance Fees without Supervisory Board Approval

Several performance fee agreements and payments were initiated by a former director of the Company for entities owned by former core employees and advisors of the Group, on the basis of agreements that had never been approved by the parent company's former supervisory board, as would have been required for such agreements to become operative.

The current management contacted the former supervisory board to inquire whether such agreements and payments had been approved. The former supervisory board confirmed that it had not been made aware of these payments and that the underlying agreements, upon review, had neither been shared with the former supervisory board by the former management nor formally approved.

These unapproved agreements granted upside participation to former core employees and advisors in proceeds from certain past, current, and future incubations of the Group, while in some instances removing all legal safeguards that had previously been embedded in standard agreements (and therefore required to be present in such agreements for the agreements to become operative) - approved by the former supervisory board to incentivize core employees and advisors in 2022, when the Group scaled down its headcount heavily due to the shift in the crypto market.

Option Agreements

In 2021, it came to the attention of the current management that, a recurring pattern existed in which several option agreements were initiated by a former director for entities owned by former core employees and advisors of the Group. These agreements stated that the recipient was entitled to a specified percentage of certain of the Group's holdings, should the options be exercised.

Even if these agreements were properly effective, the majority of these option agreements expired towards the end of 2023. The Company does not believe that these agreements were properly operative or enforceable, as many appear to have been signed solely by the former director, without the signatures of the counterparties, and the Company is unable to locate any approval of these agreements by the supervisory board serving at that time in 2021, as would have been required for any such agreements to be operative.

Consequences and Actions Taken

- Investors and other stakeholders were notified on 28 August 2024 of the group auditor's non-acceptance of the Company's audited financial statements for FY 2023 via public announcement. The potential impact on the Company's FY 2023 financial statements and the appointment of a new independent auditor for the Company were also communicated.
- It became clear that the accounting books of the Company were not reliable after the emergence of the initial key findings, which led the current management to request full access to all relevant accounting documentation since the Company's establishment.
- The current management requested the delivery of all documents from the former accounting firm on several occasions. These efforts were hampered by delays from the former accounting firm in providing such records, without providing a reliable reason for such delay.
- After numerous unsuccessful requests - even with the assistance of the newly appointed local auditor in Cyprus - the Company's current management escalated the matter by engaging a local legal advisor, who accompanied the current management of the Company, in an official visit to the former accounting firm's office toward Q1 2025.
- In parallel, several internal controlling measures were implemented to enhance governance of the Company's assets as outlined in section 5, followed by the appointment of a new local accountant for bookkeeping in 2024.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

- The specific legal measures taken for all financial damages are outlined in the respective section.

Investigations and Legal Proceedings

Legal proceedings and/or law enforcement actions have been initiated or are under consideration in multiple jurisdictions

Summary of Legal Cases:

Legal Case in Germany

During 2025, the parent company (plaintiff) entered into legal proceedings with the former sole executive board member of the parent company and director of the Company.

The parent company, via the Company, had held rights to approximately 6% of tokens for a core project of the Company. By March 2024 the defendant sold approximately 4% out of these tokens - the majority at an extraordinarily high discount - to various parties before the token generation event (TGE), without supervisory board approval, thereby causing material damage to Company's and therefore the parent company's asset value.

The defendant bypassed supervisory board approval requirements and failed to implement compliance structures to ensure group-wide governance, especially, but not limited to, in dealings conducted through the Company.

Mediation in USA

During 2025, the Company entered into a mediation with a portfolio company relating to an investment agreement with the company that promised recurring revenues to the Group, along with other benefits. However, almost all of these benefits have not been realized or claimed. Moreover, the investment agreement offered a partial repayment to the Company, which it sought to utilize. However, no repayments have been received.

The mediation process remains ongoing. The likelihood of success in mediation is uncertain. If unresolved, the matter could proceed to binding arbitration. The company's legal counsel estimates a high chance of success on the merits in a potential arbitration, though recovery of funds still remains uncertain.

Internal Control System Revisions

The parent company and the Company continue to be working and improving their internal systems on control, analysis, access control and accounting of the Company's investments. Main areas of focus (identified, addressed and changed by the current management) include, among others:

- Wallet creation and access governance (including at least a four-eyes principle);
- Documentation of external and intercompany settlements;
- Identification and documentation of external recipient wallets.

Measures implemented since 1 September 2024 include:

- Creation, implementation and following of an Internal Control System (ICS);
- Wallet creation, credential management, and multi-signature wallet governance (via Safe{Wallet}) for wallets managing the Company's key assets (requiring a 2/3 quorum for the signature of each transaction);
- Custody supervision and access controls;
- Segregation of duties;

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

- Transaction cycle controls;
- Mandatory policies and procedures for transaction initiation, approval, execution, documentation, and accounting of crypto-assets.
- Periodic reconciliation and ledger mapping;
- Control for minor single-signature wallets, including enforcement of offline secure key storage between the current directors of the Company;
- Implementation of a Fireblocks account (an enterprise-grade platform delivering a secure infrastructure for moving, storing, and issuing digital assets) enabling dual-person (directors) review and approval of all transactions, regular key rotation, whitelisting of approved addresses, real-time monitoring and reconciliation with Fireblocks-managed wallets;
- Implementation of TRES Finance for analytics of all crypto transactions, relevant for enhanced bookkeeping.

Subsequent Events/ Post Balance Sheet Events

- Following the withdrawal of the 2023 financial statements, the conclusion of internal and external forensic analyses, the restatements of prior financial statements, and the introduction of new internal control and reporting measures, the management team and the employees are acting accordingly.
- The current management has resolved to liquidate several dormant entities, including Brain Network Ltd. (St. Lucia), AB Labs FZCO (Dubai) and Finpro 1 GmbH (Germany).
- During the course of the liquidation processes, the current management discovered that no tax registration had been carried out for the Group's entities operating in the UAE and St. Lucia, and that the tax treatment of the Company's activities in Cyprus had remained unresolved. Steps have since been initiated to address these matters.
- Furthermore, the trade license of AB Labs FZCO had not been renewed since its establishment, resulting in penalties exceeding 20 months. The current management has clarified the situation and initiated liquidation with a local auditor in the UAE. The local auditor has informed the management that the Federal Tax Authority (FTA) may halt liquidation due to the unresolved tax registration, as the company was never registered and therefore could not be deregistered.
- In 2025, new management ceased use of the Kraken account - as it is not held under the Company's ownership - and opened new exchange accounts with several exchange platforms under the Company's name.
- In order to build up a liquid treasury reserve, the Company has, through the proceeds from its staking activities, started to acquire Bitcoin (BTC) and Ethereum (ETH); this effort is expected to grow and shall improve the liquidity ratio of the Company's investment portfolio.
- To address prior control and monitoring deficiencies, the current management has implemented strong internal risk-control measures (as outlined above), which are being monitored continuously. Furthermore, the current management has actively pursued recovery efforts for lost tokens.
- Since 31 December 2024 further legal proceedings have been filed or initiated against former officers and advisers.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

3. Withdrawal of Financial Statements, Misappropriation of Assets and Subsequent Corrective Actions (continued)

Timeline of Key Events	
Date	Event
5 August 2024	Dismissal of the CEO of Advanced Blockchain AG.
subsequent	Detailed initial in-house financial review of the books of the Company.
28 August 2024	Non-acceptance of the initial financial statements of the Company by the group auditor of Advanced Blockchain AG, due to non-compliance with fundamental principles of preparing and auditing annual financial statements; communication to shareholders via ad-hoc announcement.
1 September 2024	Implementation of enhanced asset control mechanisms (i.e. MultiSig) for main crypto wallets, handling the key assets of the Company.
1-30 September 2024	Follow-up scrutinization of the books and wallets of the Company with internal forensic review of wallet and account activities, investment flows, and related transactions. This was followed by the engagement of an external blockchain-analytics consultant, who supported in conducting a comprehensive forensic analysis.
Late September/ early October 2024	Initial handover of the majority of crypto assets.
26 September 2024	Appointment of Core Tax Financial Services as new auditor for the financial year 2023 and subsequent periods, including restatements for 2021 and 2022.
22 October 2024	Replacement of the director of the Company.
6 November 2024	Withdrawal of Original 2023 financial statements and audit reports by signed order by the Company.
December 2024	Initial issuance of formal legal claims or pre-litigation notices against former officers and advisors.
Subsequent	Continuous asset recovery efforts.
31 March 2025	Appointment of a new accounting firm to conduct accounting for the financial year, ending 31 December 2024.

4. Functional and presentation currency

These separate financial statements are presented in United States Dollars (US\$), which is also the functional currency of the Company. The functional currency is the currency of the primary economic environment in which the Company operates. Management has determined that the United States Dollar is the functional currency because:

- The majority of the Company's revenue is denominated and settled in US Dollars;
- Significant project acquisition agreements are priced in US Dollars;
- A substantial proportion of the Company's operating expenses are incurred in US Dollars; and
- The Company's most significant investments and projects are primarily located in non-Eurozone jurisdictions where US Dollars are the predominant currency for commercial transactions.

The Company's parent entity prepares its financial statements in Euro (EUR).

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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5. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised IFRS Accounting Standards that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Company.

6. Material accounting policy information

The material accounting policies adopted in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all years presented in these separate financial statements unless otherwise stated.

Management seeks not to reduce the understandability of these separate financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

Going concern basis

The financial statements have been prepared on a going concern basis.

The Company has historically been consistently profitable and, despite the exceptional adverse impact of the events described in Note 3 — which resulted in non-recurring additions to operating expenses and required significant diversion of management's resources — it reported a substantial profit in both 2023 (as revised) and 2024.

Group strategy remains fully committed to the Company as its principal operating vehicle and profit centre and to providing full and adequate support, financial and other, including legal and administrative support in relation to the events described in Note 3, using group resources where required.

Management has considered thoroughly the uncertainties arising from the matters described in Note 3, including litigation and recovery efforts, and their potential financial consequences. While these matters create uncertainty, management firmly believes that, taking account of Group support, the Company will continue as a consistently profitable going concern for the foreseeable future.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue

Recognition and measurement

The Company provides advisory, incubation and management services to blockchain projects. Revenue is recognised over time as services are provided because the customer simultaneously receives and consumes the benefits. Progress is measured using an input method based on hours/costs incurred. The transaction price includes fixed consideration and variable consideration (e.g. success fees or token-linked bonuses), constrained to the amount that is highly probable not to result in a significant reversal.

Consideration may be in cash or digital tokens. Non-cash consideration is measured at fair value at the date revenue is recognised. If fair value cannot be reliably measured at that date, the Company uses the stand-alone selling price of the services. Subsequent changes in token values are not revenue and are accounted for under other IFRS (e.g. IAS 38/IAS 2/IFRS 9). When tokens are received before services are delivered, they are recorded as contract liabilities and recognised in revenue as services are provided.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Revenue (continued)

Costs to obtain/fulfil a contract: Incremental costs (e.g. success-based sales commissions, if any) are capitalised when expected to be recovered and amortised on a systematic basis consistent with the transfer of services; other costs are expensed as incurred. The closing carrying amount of capitalised contract costs and amortisation recognised in the period are disclosed.

Significant judgements and estimates: Key judgements include: (i) assessing over-time recognition and the input method selected; (ii) constraining variable consideration; (iii) determining fair value of non-cash consideration (including effects of token restrictions/lock-ups under IFRS 13); and where applicable (iv) principal vs agent assessments.

Identification of performance obligations

Revenue is disaggregated by service type and timing (over time) as below. Significant judgements include the timing of satisfaction of performance obligations, methods for measuring progress, the estimation and constraint of variable consideration, and determining the fair value of non-cash consideration.

The Company recognises revenue from the following sources:

- Advisory & incubation — cash and token consideration
- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Intangible assets – cryptographic tokens and token rights

The Company's intangible assets primarily comprise of the following crypto assets :

- (a) Delivered Cryptographic tokens held for own account and
- (b) Rights to receive future tokens under SAFT agreements, token warrants, or other network rights.

For the purposes of these financial statements, 'crypto assets' refers collectively to the Company's holdings of cryptocurrencies, token rights under SAFTs, token warrants, and other blockchain-based rights, which are classified as intangible assets unless otherwise stated.

These assets are accounted for under IAS 38 Intangible Assets as non-monetary assets without physical substance. They are not financial assets unless they embody a contractual right to receive cash or another financial asset. Where crypto assets are held for sale in the ordinary course of business, they are classified as inventory under IAS 2. This assessment requires judgement based on the entity's business model and intention at acquisition. The Company does not classify these items as financial assets under IFRS 9 principles because they do not represent contractual rights to cash or another financial asset.

Initial measurement and recognition:

Intangible assets acquired separately are recognised at cost when the Company controls the asset, future economic benefits are probable, and cost is reliably measurable. Pre-launch token rights (e.g. SAFTs) are recognised as intangible assets only when the right becomes unconditional and the underlying tokens/network rights exist and are controlled by the Company. Until then, amounts paid are presented as prepayments/other assets. Non-cash consideration (e.g. tokens received for services) is initially measured at fair value at the date of receipt, with subsequent accounting per the policies below. The Company applies the cost model to all classes of intangible assets.

Subsequent measurement:

The Company applies the cost model, carrying intangible assets at cost less accumulated amortisation (for finite-lived assets) and impairment losses. The revaluation model is not applied, as active markets for these specific intangible classes are uncommon.

Intangible Assets – Useful Lives, fair value and impairment considerations:

Impairment losses are recognised in profit or loss. Any subsequent reversal is recognised only to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Token warrants or rights with contractual expiry dates are treated as finite-lived and amortised on a straight-line basis over the contractual term, starting when the asset is available for use. Available for use is considered the date when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

Delivered crypto tokens and token rights without contractual expiry are assessed as having indefinite useful lives because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, the underlying blockchain networks are designed for ongoing operation without contractual termination, and the economic patterns of consumption cannot yet be reliably estimated given the early-stage and volatile nature of the markets in which these assets operate.

Although the Company often realises value from certain holdings within approximately 2–3 years of entering into a project-either by selling its rights prior to the token generation event or by selling the tokens shortly after network launch- such disposal patterns reflect management's business strategy and liquidity planning, and do not constitute a limit on the assets' useful lives for accounting purposes.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Intangible assets – cryptographic tokens and token rights (continued)

At 31 December, none of the Company's intangible assets were amortised because either they are assessed as indefinite-lived or are not yet available for use (e.g. subject to vesting conditions, project/network launch pending, or other contractual restrictions). Indefinite-lived intangible assets and assets not yet available for use are tested annually for impairment and whenever indicators of impairment arise. The recoverable amount is the higher of fair value less costs of disposal and value in use.

The intention to sell certain tokens within a short timeframe does not create a finite useful life under IAS 38.

Where an active market exists (e.g. for certain listed tokens), fair value is determined using quoted prices from reputable cryptocurrency exchanges (such as CoinMarketCap or CoinGecko) at the reporting date, adjusted for any contractual restrictions. Such measurements are classified as Level 1 inputs under IFRS 13. Where no active market exists, fair value is determined using valuation techniques incorporating significant unobservable inputs (Level 3), such as discounted cash flow models, probability-weighted expected return models, or comparable transaction analysis.

Impairment losses are recognised in profit or loss. Any subsequent reversal is recognised only to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised.

Research and development expenditure:

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs are capitalised only when the Company can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the intangible asset and use or sell it
- its ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Where these criteria are not met, development costs are expensed as incurred. Up to the year end, no development expenditure was capitalised as an intangible asset.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets - impairment - credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

For trade receivables and contract assets, including trade receivables and contract assets with a significant financing component, and lease receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 8, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 8, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 8, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Classification as financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. They are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 8, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Prepayments

Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

6. Material accounting policy information (continued)

Fair value measurement

The carrying amounts of the Company's financial assets and liabilities approximate their fair value at the reporting date.

The Company measures certain financial assets at fair value through profit or loss ("FVTPL") on a recurring basis, including unquoted equity interests, fund interests, and contractual rights to receive equity under SAFE, SAFTE agreements. Where such instruments are not traded in an active market, fair value is determined at each reporting date using independent valuation reports from qualified external specialists. These valuations apply an IFRS 13-compliant market approach, using a structured scoring and weighting methodology that incorporates factors such as recent comparable funding rounds, sector and market trend analysis, protocol activity metrics (e.g., total value locked), and qualitative assessments, calibrated to observable market data where available. Fair value measurements are classified within the IFRS 13 hierarchy based on the lowest-level input significant to the valuation: Level 1- quoted prices in active markets for identical assets; Level 2-other observable inputs; Level 3-significant unobservable inputs.

Furthermore, Rights to receive future tokens (SAFTs) and delivered crypto-tokens that meet the definition of intangible assets are accounted for under IAS 38 and are generally carried at cost less any accumulated impairment losses. These assets are not remeasured at fair value on a recurring basis and are therefore excluded from the IFRS 13 fair value hierarchy, except when fair value measurement is applied on a non-recurring basis for impairment testing. At each reporting date, the Company monitors quoted prices from active cryptocurrency exchanges for each token to identify impairment indicators. Where such an active market exists, the quoted price (a Level 1 input under IFRS 13) is used to determine fair value less costs of disposal when calculating the recoverable amount under IAS 36.

In classifying fair value measurements, Level 1 inputs consist of quoted (unadjusted) prices in active markets for identical instruments; Level 2 inputs are observable, either directly or indirectly, such as market interest rates, yield curves, credit spreads, or quoted prices for similar instruments in less active markets; Level 3 inputs are unobservable and typically include qualitative scoring outcomes, forecast assumptions, or prudence adjustments. The Company maximises the use of relevant observable inputs and minimises the use of unobservable inputs, reassessing classification at each reporting date.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

7. New accounting pronouncements

At the date of approval of these separate financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the separate financial statements of the Company.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

8. Financial risk management

Financial and other key risk factors

The Company is exposed to market price risk, operational risk, interest rate risk, credit risk, liquidity risk, litigation risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

8.1 Market price and Regulatory/Operational risks

Price risk: The Company is exposed to significant price volatility in relation to its holdings of digital assets (cryptographic tokens and token rights) and investments in blockchain projects. Prices of such assets can fluctuate widely in response to market sentiment, technological developments, protocol governance decisions, macroeconomic factors, and regulatory announcements. Management monitors the fair value of digital assets on a regular basis and assesses impairment indicators in accordance with IFRS requirements. No formal hedging instruments are currently used for price risk mitigation.

Regulatory/Operational risk: The Company operates in a sector with rapidly evolving regulation. Changes in law, enforcement actions, or interpretations affecting blockchain activities could materially impact asset values, counterparties' ability to perform, and the Company's business model. Operational risks also arise from safeguarding digital assets, including risks of theft, loss of private keys, and cyberattacks. The Company mitigates these risks through the use of secure custody solutions, internal controls, and continuous monitoring.

Currency risk: The Company's functional and presentation currency is the United States Dollar (US\$). The majority of revenues, significant project acquisition agreements, and operating expenses are denominated in US\$, which reduces foreign currency risk on core operations.

However, the Company is exposed to exchange rate fluctuations arising from:

- Transactions and balances denominated in other currencies, particularly the Euro (EUR), due to significant intra-group receivables and payables with the parent, fellow subsidiary and other group companies whose functional currency is EUR; and

- Certain investments and contractual rights denominated in cryptocurrencies whose market value is quoted in, or correlated to, non-USD fiat currencies.

Foreign currency risk is managed by regularly monitoring exposures and, where practicable, converting material non-USD balances to US\$. The Company does not currently employ formal hedging instruments.

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as fair value through other comprehensive income.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company's Board of Directors.

8.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from receivables, deposits with banks, and contractual rights to receive tokens or other consideration from counterparties. The Company's receivables include amounts due from investee projects, related parties, and third-party service providers. These balances are subject to a high degree of uncertainty due to the early-stage nature of counterparties and the evolving legal and regulatory framework for blockchain activities. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings. Management monitors outstanding receivables on a regular basis and recognises impairment losses where recovery is doubtful.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

8. Financial risk management (continued)

8.2 Credit risk (continued)

(i) Risk management

If debtor/borrower are independently rated, these ratings are used. Otherwise, if there is no independent rating, Management assesses the credit quality of the debtor/borrower, taking into account its financial position, past experience and other factors.

The Company does not hold material investments in rated debt securities. Financial assets subject to the IFRS 9 ECL model primarily comprise cash at bank, trade and other receivables and any amortised-cost loans. Cash is held with investment-grade banks (12-month ECL). Trade and other receivables are provided for on an ECL basis using a provision matrix. Instruments measured at FVTPL and non-debt crypto-assets (IAS 38) are outside the ECL model.

These policies enable the Company to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- cash and cash equivalents

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.
- For all other financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial asset that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

8. Financial risk management (continued)

8.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

Default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Trade receivables and contract assets

The Company assesses, on an individual basis, its exposure to credit risk arising from trade receivables and contract assets. This assessment is based on the credit history of the customers with the Company as well as the period the trade receivable or contract asset is more than 180 days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Receivables from related parties

For receivables from related parties lifetime ECL was provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

8. Financial risk management (continued)

8.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Receivables from related parties (continued)

For any new loans to related parties, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the Company assesses whether there was a significant increase in credit risk.

The Company does not hold any collateral as security for any receivables from related parties.

Other receivables

For other receivables lifetime ECL was provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

For any new loans to third parties, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the Company assesses whether there was a significant increase in credit risk.

The Company does not hold any collateral as security for any other receivables.

Cash and cash equivalents

The Company assesses, on an individual basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Company does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

(iii) Impairment charge- investment in subsidiaries

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired assets:

Impairment losses

	2023	2022
	US\$	(Restated) US\$
Impairment charge - investments in subsidiaries	(99)	-
Impairment charge- investment in subsidiaries	(99)	-

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

8. Financial risk management (continued)

8.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company's exposure to liquidity risk is not considered significant as the majority of the Company's current liabilities are towards the Company's parent. Moreover, the Company's digital asset portfolio may be subject to restrictions on convertibility (e.g., token lock-up periods, illiquid markets), which can impact its ability to generate cash quickly without significant value loss. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

8.4 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

8.5 Capital risk management

Capital includes equity shares.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The carrying amounts and fair values of certain financial assets and liabilities are as follows:

	Carrying amounts		Fair values	
	2023 US\$	2022 US\$	2023 US\$	2022 US\$
Financial assets				
Cash and cash equivalents	10.089	14.402	10.089	14.402
Fair value through profit or loss	4.071.089	4.071.089	8.926.351	4.347.686
	4.081.178	4.085.491	8.936.440	4.362.088

9. Other critical accounting estimates, judgments and assumptions

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Going concern basis**

The Directors judge that it is appropriate to prepare the separate financial statements on the going concern basis.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

9. Other critical accounting estimates, judgments and assumptions (continued)

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Critical judgements in applying the Company's accounting policies

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets at fair value through other comprehensive income has been estimated based on the fair value of these individual assets.

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 8, Credit risk section.

- **Impairment of intangible assets**

Significant judgement – classification of crypto holdings: Indefinite-lived intangible assets are tested for impairment annually and whenever indicators arise. For tokens with active markets at the reporting date, the recoverable amount is determined using quoted prices from reputable cryptocurrency exchanges, adjusted for any contractual restrictions on transfer, and classified as Level 1 inputs under IFRS 13. For assets without active markets, fair value less costs of disposal is determined using Level 3 valuation techniques such as discounted cash flow models, comparable transaction analysis, or probability-weighted expected return models, in most cases prepared by independent qualified valuers.

Significant judgement – useful lives and availability for use: Management has exercised significant judgement in determining the useful lives and amortisation commencement dates of the Company's intangible assets, which comprise delivered crypto tokens, token rights under SAFTs, and similar blockchain-based rights.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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9. Other critical accounting estimates, judgments and assumptions (continued)

- Valuation of non-listed investments**

The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date.

- Capitalisation of development expenditure**

Management has exercised significant judgement in determining whether software development costs incurred in connection with various projects met the criteria for recognition as internally generated intangible assets. These activities were initially funded significantly by leading teams of such projects and related to services provided under a business relationship that later evolved into joint incubation efforts. However, based on the absence of contractual arrangements granting the Company control over the resulting intellectual property, the nature of the expenditure as contract fulfilment costs, and the inability to reliably measure attributable costs for an asset controlled by the Company, management concluded that the capitalisation criteria were not met. Accordingly, all such expenditure has been expensed as incurred.

10. Fair value measurement

The table below analyses the Company's financial instruments carried at fair value by valuation methodology. The different levels have been defined in accordance with IFRS 13 as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities (e.g., listed tokens where an active exchange market exists).
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - unobservable inputs for the asset or liability, reflecting the Company's own assumptions about the inputs market participants would use, developed using the best information available (e.g., valuations based on structured scoring and weighting methodologies for unlisted SAFT/SAFE rights without active markets).

31 December 2023

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets measured at fair value				
Financial assets (Note 20)				
At fair value through profit or loss	-	-	8.926.351	8.926.351
Total	-	-	8.926.351	8.926.351

31 December 2022

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Assets measured at fair value				
Financial assets (Note 20)				
At fair value through profit or loss	-	-	4.347.686	4.347.686
Total	-	-	4.347.686	4.347.686

INCREDULOUS LABS LIMITED

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10. Fair value measurement (continued)

Valuation techniques

Non-listed investments

The fair values of unlisted rights to equity and other non-listed financial instruments are determined in accordance with IFRS 13 using independent valuation reports from qualified external specialists. These valuations apply a market approach, incorporating a structured scoring and weighting methodology that considers factors such as recent comparable funding rounds, sector and market trend analysis, protocol activity metrics (e.g., total value locked), and qualitative assessments, calibrated to observable market data where available. Where no active market or directly comparable transaction data exists, significant unobservable inputs are used. The Company classifies the fair value of these investments as Level 3 in the fair value hierarchy.

For certain unlisted rights to equity/and other unlisted financial instruments, no independent valuation report or observable market data was available at the reporting date. In such cases, management was unable to obtain sufficient appropriate evidence to determine a reliable fair value measurement. These assets are classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs.

Reconciliation of Level 3 fair value measurements

	2023	2022	Total
	US\$	US\$	US\$
Balance at 1 January	4.347.686	2.970.501	7.318.187
Total gains or losses: in profit or loss	4.741.513	(23.403)	4.718.110
Purchases	-	1.450.588	1.450.588
Sales/Derecognition	(162.848)	(50.000)	(212.848)
Balance at 31 December	8.926.351	4.347.686	13.274.037

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10. Fair value measurement (continued)

Information about fair value measurements using significant unobservable inputs (Level 3)

<u>Description</u>	<u>Fair value at 31 December 2023 US\$</u>	<u>Valuation technique</u>	<u>Unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of unobservable inputs to fair values</u>
Begals	1 N/A		No market inputs available.	N/A	Nominal value; changes immaterial.
Permanent Ventures, L.P.	370.500 N/A		No market inputs available.	N/A	Fair value based on prior year carrying amount; changes in unobservable inputs could significantly affect the valuation.
Talisman Co Pty Ltd	385.542	Market comparison approach	Sector trend/Qualitative basis/Qualitative trend score	40%/20%/40%	Higher sector trend, basis, or trend scores increase the derived fair value; lower scores reduce it.
Alluo Ltd	105.975	N/A	valuation based on quoted token price from active exchange platform.	N/A	Changes in market token price directly affect fair value;
ITMO US	1 N/A		No market inputs available.fair value reduced to nominal amount due to project termination.	N/A	Nominal value; changes in inputs immaterial.
Project 10	2.544.277	Market comparison approach	Sector trend/Qualitative trend score/prudence-capped post-money valuation m.cap	50%/50%/0%	Increase in scores/cap; increases/decreases the FV
Element Finance, Inc.	510.876	Market comparison approach	Sector trend/Qualitative trend score/Basis analysis (m.cap confirmed from Jan 2023 funding round, used without adjustment).	50%/50%/0%	Higher sector trend or qualitative trend scores increase FV; lower scores reduce FV.
D2 Labs, Inc.	1 N/A		No market inputs available.fair value reduced to nominal amount due to project inaccessibility.	N/A	Nominal value; changes in inputs immaterial.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

10. Fair value measurement (continued)

<u>Description</u>	<u>Fair value at 31 December 2023 US\$</u>	<u>Valuation technique</u>	<u>Unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of unobservable inputs to fair values</u>
zCloak Network	150.000	N/A	No market inputs available.	N/A	Fair value based on prior year carrying amount; changes in unobservable inputs could significantly affect the valuation.
Light Protocol	1.565.288	Market comparison approach	Sector trend/Qualitative basis/Qualitative trend score	40%/20%/40%	Higher sector trend or qualitative trend scores increase FV; lower scores reduce FV.
Component, Inc.	1	N/A	No market inputs available.fair value reduced to nominal amount due to project write down.	N/A	Nominal value; changes in inputs immaterial.
Volumefi Software, Inc.	350.000	N/A	No market inputs available.	N/A	Fair value based on prior year carrying amount; changes in unobservable inputs could significantly affect the valuation.
Mekatek AG	250.000	N/A	No market input availalbe. Potential TGE token conversion, equity conversion, or repayment, with probability weightings.	Probability of token issuance, probability of equity financing, timing to maturity, assumed post-m.cap, discount rate if repayment expected.	Fair value based on prior year carrying amount; changes in unobservable inputs could significantly affect the valuation.
Ithil Ltd.	1	N/A	No market inputs available.fair value reduced to nominal amount due to project inactivity.	N/A	Nominal value; changes in inputs immaterial.
Panoptic	2.693.888	Market comparison approach	Sector trend/Qualitative basis/Qualitative trend score m (Post-money valuation from funding round dated 31/08/2023)	40%/20%/40%	Higher sector trend or qualitative trend scores increase FV; lower scores reduce FV.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS 31 December 2023

10. Fair value measurement (continued)

<u>Description</u>	<u>Fair value at Valuation</u> <u>31 December technique</u> <u>2022</u> <u>US\$</u>	<u>Unobservable</u> <u>input</u>	<u>Range (weighted</u> <u>average)</u>	<u>Relationship of</u> <u>unobservable inputs to fair</u> <u>values</u>
Begals	1 N/A	No market inputs available.	N/A	Nominal value; changes immaterial.
Permanent Ventures, L.P.	370.500 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Talisman Co Pty Ltd	200.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Alluo Ltd	126.597 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
ITMO US	150.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Project 10	350.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Project 2	100.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Element Finance, Inc.	950.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
D2 Labs, Inc.	500.000 N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

10. Fair value measurement (continued)

<u>Description</u>	<u>Fair value at 31 December 2022</u> <u>US\$</u>	<u>Valuation technique</u>	<u>Unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of unobservable inputs to fair values</u>
zCloak Network	150.000	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Light Protocol	350.000	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Component, Inc.	350.500	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Volumefi Software, Inc.	350.000	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Mekatek AG	250.000	N/A	No market input available. Potential TGE token conversion, equity conversion, or repayment, with probability weightings.	Probability of token issuance, probability of equity financing, timing to maturity, assumed post-money cap, discount rate if repayment expected.	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Ithil Ltd.	150.000	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.
Panoptic	88	N/A	No market inputs available.	N/A	Fair value based on acquisition cost; changes in unobservable inputs could significantly affect the valuation.

For the majority of its unlisted equity interests under SAFE, SAFTE agreements, the Company obtains independent valuations from qualified external valuation specialists. These valuations apply IFRS 13 – compliant market approaches, typically based on post-money valuation caps from recent funding rounds, adjusted for sector trends, qualitative factors, and project-specific metrics. Management assesses the methodologies and key assumptions for reasonableness prior to their inclusion in these financial statements.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

10. Fair value measurement (continued)

For certain unlisted financial assets, no external valuation reports or other reliable valuation evidence were available at the reporting date. In the absence of observable market data or applicable valuation models, management determined the fair value based on the best information available, including carrying these assets at nominal value where recovery is not expected. Due to the absence of independent valuation evidence, these measurements are subject to a high degree of estimation uncertainty, and this limitation was noted in the independent auditor's report.

11. Prior year errors

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 12 June 2023. As described in Note 3 Withdrawal of Financial Statements, Misappropriation of Funds and Subsequent Corrective Actions, the Company's previously issued financial statements for the year ended 31 December 2023 (which included the comparative figures for the year ended 31 December 2022) were subsequently withdrawn by current management, following the discovery of pervasive misstatements, lack of reliable supporting documentation and indications of misappropriation of assets.

Accordingly, the 2023 financial statements have been re-issued, and the comparative figures for the year ended 31 December 2022 have been restated in these financial statements to the extent practicable based on information available to current management. Where retrospective restatement was practicable, prior-period amounts for both 2022 and opening balances as at 1 January 2022 have been adjusted as if the corrections had always been applied. The tables below set out the effect of the restatements on the statements of financial position, profit or loss and other comprehensive income, and cash flows for the comparative periods presented.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

11. Prior year errors (continued)

	As previously reported US\$	Effect US\$	As restated US\$
31 December 2021:			
Investments in subsidiaries	21.739	(8.026)	13.713
Available for sale financial assets	8.541.522	(8.541.522)	-
Non-current loans receivable	193.162	(193.162)	-
Cash at bank and in hand	3.762.858	(3.762.858)	-
Trade and other receivables	5.104.417	(764.089)	4.340.328
Intangible assets	-	9.626.728	9.626.728
Financial assets at fair value through profit or loss	-	2.970.501	2.970.501
Total assets	17.623.698	(672.428)	16.951.270
Trade and other payables	14.453.701	(381.653)	14.072.048
Total liabilities	14.453.700	(381.653)	14.072.047
Share capital	1.427	-	1.427
Retained Earnings	3.168.570	(290.775)	2.877.795
Total equity	3.169.998	(290.775)	2.879.223

31 December 2022:

	-	-	-
Investments in subsidiaries	24.463	(8.026)	16.437
Investment in associates	87	(87)	-
Available for sale financial assets	12.457.056	(12.457.056)	-
Cash at bank and in hand	3.258.131	(3.243.729)	14.402
Trade and other receivables	5.846.813	(229.365)	5.617.448
Intangible assets	-	9.266.172	9.266.172
Financial assets at fair value through profit or loss	-	4.347.686	4.347.686
Total assets	21.586.550	(2.324.405)	19.262.145
Trade and other payables	12.669.092	1.098.379	13.767.471
Total liabilities	12.669.092	1.098.379	13.767.470
Share capital	1.427	-	1.427
Retained Earnings	8.916.031	(3.422.783)	5.493.248
Total equity	8.917.458	(3.422.783)	5.494.675

Impact on the statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	As previously reported US\$	Effect US\$	As restated US\$
Revenue	15.395.393	-	15.395.393
Staff costs	(62.377)	-	(62.377)
Other operating income	856.702	16.020.994	16.877.696
Profit from investing activities	14.546.440	(14.546.440)	-
Administration and other expenses	(24.965.116)	(4.606.563)	(29.571.679)
Operating profit	5.771.042	(3.132.009)	2.639.033
Finance costs	(23.581)	-	(23.581)
Profit before tax	5.747.461	(3.132.009)	2.615.452
Profit from continuing operations	5.747.461	(3.132.009)	2.615.452
Net profit for the year	5.747.461	(3.132.009)	2.615.452
Total comprehensive income for the year	5.747.461	-	2.615.452

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

11. Prior year errors (continued)

These restatements arise primarily from corrections of material misstatements and omissions relating to accounting errors, as well as the suspected misappropriation of assets by former management, as detailed in Note 3. Furthermore, there is an adjustment of retained earnings in respect of a subsidiary's dividend receivable accounted for in the financial statements for 2021, at US\$9.082.431. No written or formal dividend resolution by the board of the subsidiary (Brain) has been identified by the current management. Our understanding from the relevant information provided in Note 11, and management's formal and informal representations, is that the amount of the dividend was reassessed as US\$8.538.266, being the maximum distributable earnings of the subsidiary at that time, after retrospectively correcting in the financial statements for 2023 the misstatements identified in revenue (primarily) and expenses (secondarily) for 2021.

12. Revenue

The Company earns revenue from advisory, incubation, and management services to blockchain projects, recognised over time or at a point in time depending on the nature of the performance obligation.

Disaggregation of revenue

	2023 US\$	2022 (Restated) US\$
Strategic advisory services- blockchain strategy- cash consideration	22.500	15.395.393
Strategic advisory services- blockchain strategy- token consideration	-	-
Total revenue	22.500	15.395.393
	22.500	15.395.393

Nature of services and performance obligations: Revenue from advisory, incubation and management services is recognised over time as the customer simultaneously receives and consumes the benefits of the Company's performance.

Progress towards complete satisfaction of performance obligations is measured using methods that faithfully depict the transfer of services to the customer. Depending on the nature of the engagement, this may include:

- an input method (e.g., resources consumed or efforts expended) where these faithfully reflect performance; or
- an output method (e.g., achievement of specified project milestones or delivery of defined deliverables) where these more accurately measure progress.

The method applied is selected for each contract based on the nature of the promised services and the information available, and is applied consistently to similar performance obligations.

Remaining performance obligations: At 31 December 2023, no amount of the transaction price allocated to remaining performance obligations remained, expected to be recognised as revenue in subsequent periods.

Consideration: Consideration may be in cash (usually) or in digital tokens. Token consideration is measured at fair value in US\$ at the date revenue is recognised, determined with reference to quoted market prices on active exchanges, adjusted for any contractual restrictions on transfer. Subsequent changes in fair value are not recognised as revenue.

Contract balances: At 31 December 2023, the Company had no significant contract assets nor contract liabilities.

Key Judgements and estimates include:

- Assessing the satisfaction of performance obligations over time;
- Constraining variable consideration until it is highly probable that a significant reversal will not occur;
- Determining fair value of token consideration at initial recognition, particularly where tokens are subject to lock-ups or have limited trading volume.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

12. Revenue (continued)

Significant contracts: During 2022 and 2023, the Company entered into advisory and incubation arrangements with early-stage blockchain projects. Consideration under these agreements included fixed cash fees and variable allocations of project tokens contingent on achieving specified milestones or network launches (where applicable). These arrangements were significant contributors to revenue recognised in both years:

-On 9 September 2022, the Company entered into an Advisory Agreement with a portfolio entity, under which it provided strategic and technological advisory services in connection with the development of a portfolio entity infrastructure and ecosystem. As consideration, the Company was entitled to receive 2% of the total supply of particular tokens upon the token launch, subject to vesting conditions over a 24-month period commencing six months after launch. In addition, during the first half of 2022, the Company recharged the portfolio entity for development-related payments made on its behalf as per internal billing records totalling to US\$4,498,359. Total revenue recognised in 2022 from the portfolio entity amounted to US\$6,687,615, comprising the sum of invoices issued for reimbursed costs and service fees.

-During 2022, the Company provided software development services to another subsidiary of the group (related company). Services were invoiced totalling US\$2,235,321 for the year.

-During 2022, the Company provided consulting services to a company related to Project 7 were invoiced totalling US\$1,320,738 for the year.

-On 9 September 2022, the Company entered into a Development and License Agreement with a company related to Project 7 to provide strategic advisory, project management, software development, administrative, and marketing services. The contract covered services performed since May 2021 and continued until 30 June 2023. Total consideration invoiced and received in 2022 amounted to US\$1,245,689, settled in USDC stablecoin.

13. Operating Income – Fair value, Gains on disposals and Other income

	2023	2022
	US\$	(Restated) US\$
Exchange profit	375.637	911.752
Staking and other income	51.796	13.986
Profit from sale of financial assets at fair value through profit or loss	573.154	-
Profit from sale of intangible assets	804.636	15,861.957
Fair value gains on financial assets at fair value through profit or loss	6,351.754	-
Waiver of payable	63.819	140.000
	<u>8,220.796</u>	<u>16,927.695</u>

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

14. Operating Expenses – Development, Fair value, Impairment and Other expenses

	2023	2022
	US\$	(Restated) US\$
Specific bad debts written off	530.110	2.142.861
Loss from sales of intangible assets	514.801	-
Fair value losses on financial assets at fair value through profit or loss	1.610.241	23.403
Impairment charge - intangible assets	1.053.947	2.020.192
Engineering and development services	269.688	19.287.539
Stationery and printing	-	4.245
Computer supplies and maintenance	-	630
Software and other subscriptions	5.521	886.183
Auditors' remuneration	69.960	79.904
Accounting fees	40.767	61.294
Legal and professional	87.998	23.491
Other professional fees	26.298	79.015
Fines	4.556	774
Business travelling and accomodation	-	167.297
Entertaining	-	17.434
Commissions and performance fees	354.065	-
Consulting services	-	4.413.610
Grant disbursements	-	70.000
HR and recruitment	-	299.443
Workspace solutions	-	44.363
	4.567.952	29.621.678

15. Staff costs

	2023	2022
	US\$	(Restated) US\$
Salaries	115.116	56.702
Social security costs	-	2.904
GHS contribution	-	1.640
Social cohesion fund	-	1.131
	115.116	62.377
Average number of employees (including Directors in their executive capacity)	1	1

16. Finance costs

	2023	2022
	US\$	(Restated) US\$
Net foreign exchange losses	308.206	-
Sundry finance expenses	11.623	23.581
Finance costs	319.829	23.581

INCREDULOUS LABS LIMITED

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31 December 2023

17. Intangible assets

	Other intangibles-Digital assets (Delivered and pre launch- token rights/SAFTs, warrants/other rights) US\$
Cost	
Balance at 1 January 2022	9.626.728
Additions	4.458.753
Disposals	(2.799.117)
Impairment charge	(2.020.192)
Balance at 31 December 2022/ 1 January 2023	9.266.172
Additions	3.699.953
Disposals	(2.799.118)
Impairment charge	(1.053.947)
Balance at 31 December 2023	9.113.060
Net book amount	
Balance at 31 December 2023	9.113.060
Balance at 31 December 2022	9.266.172

Impairment losses:

During 2023, impairment losses were recognised on several projects due to:

- Significant declines in observable market prices for the underlying tokens;
- Termination of development activities or project failure;
- Loss of access/control over the asset.

In each such case, the carrying amount was reduced to an appropriate value. No impairment reversals were recognised in the year.

IFRS 13 hierarchy classification for impairment testing:

Level 1: Tokens with active market prices on reputable exchanges at the reporting date:

For the year ended 31 December 2023, the recoverable amount of certain intangible assets, for which all related tokens had been delivered, was determined using the fair value less costs of disposal (FVLCD) method. FVLCD was based on quoted market prices in active markets for the respective crypto tokens at 31 December 2023, 23:59 UTC, obtained from reputable external sources such as CoinMarketCap.com, Crypto.com, and CoinGecko.com. These quoted prices are classified as Level 1 inputs in the IFRS 13 fair value hierarchy and were not adjusted for any other factors.

-Project 6 – Level 1:

At 31 December 2023, the Company held token rights and/or tokens delivered acquired under a SAFT agreement with Project 6, with a carrying value of US\$1 (2022: US\$250.000.) The recoverable amount was determined using the fair value less costs of disposal method (FVLCD) based on the quoted market price of US\$0,0075 per token at 23:59 UTC on 31 December 2023 (2022: US\$-), obtained from publicly available cryptocurrency exchange data. These quoted prices represent Level 1 inputs in the IFRS 13 fair value hierarchy and were not adjusted for any other factors.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

17. Intangible assets (continued)

-Project 5 – Level 1:

On 31 December 2023, the Company held token rights and/or tokens delivered acquired under a SAFT agreement with Instrumental Finance, with a carrying value of US\$1 (2022: US\$1). In addition, the Company increased its investment via token swaps totalling approximately US\$1,300,000. The recoverable amount was determined using the fair value less costs of disposal method (FVLCD) based on the quoted market price of US \$0.00384 per token wqat 23:59 UTC on 31 December 2023 (2022: US\$0.01529), obtained from publicly available cryptocurrency exchange data. These quoted prices represent Level 1 inputs in the IFRS 13 fair value hierarchy and were not adjusted for any other factors.

-Peaq – Level 1: At 31 December 2023, the Company held token rights and/or tokens delivered under a SAFT agreement with Peaq, with a carrying value of US\$837 (2022: US\$837). The Company determined the fair value using a token price of US\$0.012, based on the June 2022 funding round. Management believes this price better reflects available evidence than the higher value determined by an external, independent valuer, which was based on incorrect information of the token holdings provided by former management to the external, independent valuer at the time. These quoted prices represent Level 1 inputs in the IFRS 13 fair value hierarchy and were not adjusted for any other factors.

Level 3: Token rights and other intangibles without active markets, measured using unobservable inputs and valuation models. For example:

-Layr and Pica Projects – Level 3:

On 31 December 2023, the Company held token rights and/or tokens delivered under SAFT agreements with a portfolio entity in respect of the Layr and Pica projects, with carrying values of US\$4,312,500 (2022: US\$1,312,500) and US\$162,405 (2022: US\$337,500), respectively. Fair value of both projects of US\$9,534,138 was determined by an external, independent valuer using a market approach incorporating recent comparable funding round data, sector trend indicators, protocol activity metrics, and qualitative assessments of project progress. In the absence of quoted prices in an active market, reliance on significant unobservable inputs resulted in classification as Level 3.

-Contango – Level 3:

On 31 December 2023, the Company held token rights and/or tokens delivered under a SAFT agreement with Contango, with a carrying value of US\$400,000 (2022: US\$400,000). Fair value of US\$1,505,374 was determined by an external, independent valuer using a market approach incorporating comparable transaction data, sector benchmarks, protocol adoption metrics, and qualitative assessments of development stage. In the absence of quoted prices in an active market, reliance on significant unobservable inputs resulted in classification as Level 3.

-Reactive Labs (BKD/Mero/TLX) – Level 3:

On 31 December 2023, the Company held token rights and/or tokens delivered under a SAFT agreement with Mero, with a carrying value of US\$1,000,000 (2022: US\$1,000,000). Fair value of US\$1,637,209 was determined by an external, independent valuer using a hybrid approach combining market comparables, sector trend analysis, protocol usage statistics, and qualitative assessments of project progress. In the absence of quoted prices in an active market, reliance on significant unobservable inputs resulted in classification as Level 3.

-Project 9 – Level 3:

On 31 December 2023, the Company held token rights and/or tokens delivered under a SAFT agreement with Project 9, with a carrying value of US\$250,000 (2022: US\$250,000). Fair value of US\$2,370,000 was determined by an external, independent valuer referencing observable token market prices adjusted for contractual lock-up restrictions and project-specific factors. Due to the unobservable nature of the adjustments, the measurement was classified as Level 3.

No intangible assets were valued using Level 2 inputs.

Contractual restrictions/vesting and position of tokens held:

Material Tokens/rights not yet fully delivered (vesting/or network launch outstanding) and/or right sold before network launch:

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

17. Intangible assets (continued)

-Project 4's tokens: Vesting commenced in March 2022 and is scheduled to end in March 2026, for a total entitlement of 181.406 vested tokens, resulting in 209.086 tokens to be returned upon completion of vesting. As of the day of the audit report, 81.145 tokens remained unvested in the vesting contract or had been sent to unknown addresses during 2024. The delivered portion as at 31 December 2023 amounted to 110,050 tokens, all of which were sold during 2023, resulting in a recognised loss on disposal of US\$456.300. As of 31 December 2023, the Company is entitled to receive another 99.035.

-Projects 6's tokens: Vesting start July 2023, vesting end November 2024. Tokens never received.

-Project 9's tokens: The Company is entitled to 1.000.000 tokens, all the majority of which were handed over to the Company by former management following the full vesting and unlock of the tokens by August 2025.

-Contango tokens (CT): The Company is entitled to 18.055.556 tokens. The token generation event (TGE) was initiated in 2024, and the tokens were fully delivered to the Company during 2025, at which point the sale process for these tokens was initiated.

-Peaq tokens: The Company was entitled to 288.456.000 tokens. As at 31 December 2023, and prior to the network launch, the Company sold tokens 200.400.000, realising a net profit of US\$1.449.995. As at 31 December 2024, the Company held 88.067.827 tokens.

-Sigmadex (SDEX) tokens: The Company is entitled to 6.000.000 tokens. As of the date of the audit report, the Company did not receive any tokens. The investment was impaired to US\$1, in 2023.

-Manta tokens: The Company is entitled to receive 2.600.000 tokens. During 2023, prior to network launch, the Company sold the right, realising a net profit of US\$210.000.

-Myso (MYT) tokens: The Company is entitled to receive 1,136,363 tokens. During 2025, the Company received 1,136,363 tokens subject to vesting schedule. As of the date of the audit report, the Company held 140.261 tokens.

-Krest tokens: The Company is entitled to receive 4.120.671 tokens. The network was launched in August 2023 and the vesting started during February 2024. The first portion of tokens was received during 2024 and sold, recognising a net profit on disposal of US\$471.420.

Material Tokens/rights delivered but subsequently lost/misappropriated/impaired:

-Project 1's tokens: Vesting December 2021 to December 2022. All 40,000,000 tokens received from foundation; later transferred to unknown wallets. An impairment of US\$99.999 has been recognised during 2022.

-Project's 3 tokens: Vesting November 2021 to February 2023. All 7.333.333 tokens received to an old company wallet; later transferred to wrong wallets. An impairment charge of US\$200.000 has been recognised during 2023.

-Reactive Labs (BKD/Mero/TLX) tokens: The Company, was entitled to receive 2.236.962,13 BKD tokens, however the team developed a new project/token named TLX, for which the Company was distributed 833.333 tokens during 2024 following its launch. The project was impaired to US\$22.755 during 2024.

Security and pledges:

No intangible assets were pledged as security for borrowings or other obligations at year-end.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

17. Intangible assets (continued)

Commitments:

The Company had no material contractual commitments to acquire additional intangible assets at 31 December 2023.

Custody, control of crypto assets and other matters:

As at 31 December 2023, the Company held crypto assets under a Self-custody model (mainly):

-self-custody: approx. 99.33 % of holdings were secured in Company-controlled wallets as at 31 December 2023.

-Third-party custodians/exchanges (the "Custodians"): approximately 0.67% of the Company's crypto assets were maintained with external service providers as at 31 December 2023 [(including the cryptocurrency exchanges Kraken (as at 31.12.23)/MEXC and Amber Group (as at 31.12.24)]. These Custodians generally operate omnibus wallets, and the Company's ability to access or transfer specific units is governed by the Custodians' respective terms and conditions.

Access controls: For self-custody, private keys are controlled by the Company, with segregation of duties, multisig and cold storage protocols. For assets held with Custodians, access is via authenticated platform accounts; the Company does not hold the private keys to onchain addresses administered by the Custodians.

A subset of crypto assets remains in certain "legacy wallets" that were originally created under former management/advisers and have not been migrated to new Company-controlled wallets. The private keys to these legacy wallets were not transferred to the current management. In line with industry best practice, private keys are not exchanged between parties, as prior holders could reuse them, creating security risks. Instead, the Company is implementing best practice by creating new wallets under the sole control of current management and migrating assets from legacy wallets to these new wallets.

The custody and control issue is limited exclusively to the legacy wallets. All other Company wallets and custodian accounts are under the sole control of current management.

Restrictions and present access. At year-end:

- No significant restrictions and present access is identified.

Significant agreements entered into:

-On 15 April 2021, the Company entered into a purchase agreement with nakamo.to GmbH (related party), to acquire 40.000.000 tokens relating to Project 1, for total consideration of US\$100.000. The respective investment was impaired in 2022 to US\$1.

-During 2021, the Company entered into an agreement with Elastic Labs Corp. to acquire 2.5 million MAV tokens for a total of US\$100.000, settled in USDT.

On 11 August 2023, the Company entered into a sale agreement with a purchaser for the sale of all its MAV tokens held at the time. The agreed consideration was US\$400.000, settled in USDC, recognising a respective profit on disposal of approx. US\$300.000 during 2023.

-During 2021, the Company entered into a Token Participation Agreement ("TPA") with Project 9, for a consideration of US\$250.000. The agreement granted the Company the right to receive 1.000.000 Project's 9 tokens, subject to network launch, vesting conditions, and token generation event. On 31 December 2023, the Company entered into a sales agreement with a key individual adviser for the sale of its entire 1.000.000 Project 9's tokens holding for total consideration of US\$2.590.000. However, management has determined that this sale transaction was void and never executed, based on evidence including the purchaser's written request to the parent's legal team to cancel the agreement with immediate effect.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

17. Intangible assets (continued)

-During 2021, the Company entered into a Purchase Agreement with its parent company, Advanced Blockchain AG, for the acquisition of 90.000 Polkadot (DOT) tokens at a total consideration of US\$1.395.000, equivalent to US\$15,50 per token. By 31 December 2023, the Company had disposed of its entire holding in the project, realising cumulative profits from disposals and staking income over the years 2021 to 2023 amounting to US\$770.345.

-During 2021, the Company entered into a purchase agreement with Project 3, whereby legal and beneficial ownership of 7.333.333 Project's 3 tokens for a total consideration of US\$200.000. The Company has impaired the investment to US\$1, during 2023.

-During 2021, the Company acquired numerous Project 5's tokens via multiple swaps totalling approximately USD 1,300,000. In addition, In 2022, the Company entered into a purchase agreement with the respective party to acquire 7.000.000 of Project 5's tokens for a total consideration of US\$28.000. The Company has impaired the investment to US\$1 during 2023.

-During 2022, the Company entered into a Contribution Agreement with Project 4, under which the Company, as Contributor, committed to transfer USDC 1.000.000 to Project 4. In return, the Company is entitled to receive a Project 4's token allocation determined at a 45% discount to the lower of the spot or 7-day average closing price of Project 4's tokens at the time of transfer, in accordance with the Project 4's token allocation Terms. Pursuant to the Agreement, the Company acquired 181.400,5 Project 4's tokens, which subsequently increased to 209.086,46 tokens through staking by 2023. By 31 December 2023, the Company had disposed of a significant portion of its entitled holdings (110.050 tokens), realising a loss of US\$456.299 on the disposal.

-During 2022, the Company entered into a Simple Agreement for Future Tokens (SAFT) with Reactive Labs, a Cayman Islands company, for a purchase amount of US\$1.000.000. The original project, "Mero," did not result in a token launch; Reactive Labs subsequently pivoted to develop the "TLX" project. The TLX token was launched during 2024, with a total of 833.333 tokens distributed. During 2024, the project was impaired by US\$909.462.

-During 2021, the Company structured several funding arrangements ("syndications") organised by its subsidiary, through which external investors contributed funds. In 2022, through these syndications, the Company invested US\$2.000.000 in Project 8 under a Future Right agreement, acquiring a Membership Interest in Project 8. The Company's share of this investment was US\$800.200, representing approximately a 40% ownership interest of the total investment. Members hold equal governance rights, act as network participants, and participate in the liquidity pool, with returns denominated in Project 8's tokens. As at 31 December 2024, based on an independent expert valuation, the carrying amount of the investment was impaired to US\$441.004.

-On 21 April 2021, the Company's parent, Advanced Blockchain AG, (ABAG), entered into a Simple Agreement for Future Tokens ("SAFT") with a Project 7 for participation in its private funding round, acquiring rights to receive 5.714.285,71 Project 7's tokens at a price of US\$0,35 per token, resulting to a total consideration invested of US\$2.000.000. Furthermore, on 1 May 2021, the Company entered into a purchase agreement with its parent company, Advanced Blockchain AG (ABAG), for the sale and assignment to the Company of 5.714.285,71 Project's 7 tokens for a purchase price of US\$2.000.000 (stated in the agreement as 2.000.000 USDC, equal to \$0,35 per token). All rights (including staking rights and yields) transferred at signing. In addition, on 1 June 2021, the Company entered into a Grant agreement for the option to purchase tokens with portfolio entity, granting Project 7 the right to purchase up to 5.000.000 of Project's 7 tokens from the Company's entitlement under prior arrangements. The agreed purchase price was US\$2,50 per token, payable in cash or by crediting the value of services and support provided by Project 7 to the Company. The option was exercised through a notice of exercise of option to purchase tokens on 9 September 2022, thus the sale was recognised in 2022 resulting to a profit on sale of US\$10.500.000. Moreover, on 11 February 2022, a former director of the Company, paid US\$1.400.000 in connection with a buyback of Project's 7 tokens from certain co-founders/core developers. Management has identified no formal documentation supporting the acquisition by the Company in 2022, however an overview of the token holdings certificate, was provided by Project 7 to the Company on 15 June 2023, confirming the investment made.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

17. Intangible assets (continued)

-On 12 September 2021, the Company entered into a transfer agreement with a Cyprus-registered company. At the time of the agreement, the Company held control over several crypto/digital asset projects associated with a portfolio project. Under the agreement, the Company transferred to this Cyprus-registered company all control rights relating to these projects, including the transfer of all shares in the Trustee. The Company paid a consideration not exceeding US\$30.000 per token agreement. Furthermore, in consideration for the transfer of control rights, the Company retained an entitlement to receive a specific percentage of the Team/Founders Group tokens of all transferred crypto/digital asset projects.

-On 24 December 2021, the Company entered into two SAFT agreements with Contango Protocol Ltd, a British Virgin Islands company, to acquire future rights to Contango Tokens (CT) for the total consideration of US\$400.000. The tokens delivery initiated during 2025.

-The Company had recognised an intangible asset of a material amount as at 31 December 2023 in connection with a project agreement with a portfolio entity. During 2025, the Company entered into a mediation with a portfolio company relating to an investment agreement with the company that promised recurring revenues to the Group, along with other benefits. However, almost all of these benefits have not been realized or claimed. Moreover, the investment agreement offered a partial repayment to the Company, which it sought to utilize. However, no repayments have been received. The mediation process remains ongoing. The likelihood of success in mediation is uncertain. If unresolved, the matter could proceed to binding arbitration. The company's legal counsel estimates a high chance of success on the merits in a potential arbitration, though recovery of funds still remains uncertain.

-On 4 January 2022, the Company's director at the time, entered into a Simple Agreement for Future Tokens ("SAFT") - on his name -, with Project's 6, for the acquisition of 5.000.000 Project's 6 tokens at a total purchase amount of US\$250.000. Investment, was impaired to US\$1 in 2023.

-During 2022, the Company executed a Private Pre-Sale Agreement (following revision of initial agreement) with MYSO Finance Association for US\$250.000 at US\$0,22 per token (1.136.363,64 MYSO). Tokens were subject to a 24-month lock-up from the Token Delivery Date (12-month full lock, then 12-month linear).

-On 8 April 2022, the Company entered into an agreement with Quasar's legal entity under which it was granted rights to 10% of the total Quasar token supply and 25% of the project in Quasar. No cash consideration was paid. On 1 September 2022, under a Token and Share Transfer Agreement, the Company transferred 6% of its 10% token rights and its 25% equity stake in Quasar back to the investee for consideration of US\$ 2.400.000, payable in USDC stablecoin, received in staged payments during 2022 and 2023. On 11 November 2022, pursuant to a Settlement Agreement, the Company transferred its remaining right to 4% of the total Quasar token supply to Quasar Labs Ltd for US\$800.000, of which US\$150.000 was withheld for legal fees expensed. Total net receipts from these transactions amounted to US\$3.050.000. A profit on disposal of US\$4.050.000 was recognised in 2022.

-On 17 August 2021, the Company entered into a purchase agreement to acquire 288.456.000 PEAQ tokens from its parent, Advanced Blockchain AG, for a consideration of US\$836,52. During 2024, the Company disposed of a significant portion of these tokens, realising a profit on disposal of US\$1.449.995. As at 31 December 2024, the Company held 88.067.827 Peaq tokens. Based on the quoted market price of \$0,5108 per token on CoinMarketCap.com at year-end, the fair value of the remaining holding was \$44.979.005.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

18. Investments in subsidiaries

	2023 US\$	2022 (Restated) US\$
Balance at 1 January	16.437	13.713
Additions	-	2.724
Impairment charge	(99)	-
Balance at 31 December	16.338	16.437

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2023 Holding %	2022 Holding %	2023 US\$	2022 US\$
Advanced Blockchain DMCC	Dubai, United Arab Emirates	Virtual Assets Proprietary Trading	100	100	13.613	13.613
AB Labs FZCO	Dubai, United Arab Emirates	Provision of consulting services	100	100	2.724	2.724
Brain Networks Ltd	Saint Lucia	Provision of blockchain token incubation and project development services	100	100	1	100
					16.338	16.437

19. Trade and other receivables

	2023 US\$	2022 US\$
Trade receivables	2.589.651	4.224.160
Receivables from own subsidiaries (Note 25.3)	1.417.310	1.366.522
Refundable VAT	26.766	26.766
	4.033.727	5.617.448

Included in trade receivables is an amount of US\$2.539.651 (2022: US\$3.974.160) relating to a portfolio entity. On 9 September 2022, the Company entered into a settlement agreement with the portfolio entity to resolve all outstanding balances between them, including amounts arising from various joint projects and investment arrangements. The settlement also incorporated the exercise by the particular portfolio entity of an option to purchase a portion of the Company's particular token holdings. Following execution of the agreement, all outstanding balances between the Company and the portfolio entity were settled. As part of the arrangement, the portfolio entity took over certain obligations that the Company had to other projects, agreeing to fulfil these through the provision of services.

The Company does not hold any collateral over the trading balances.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 8 of the separate financial statements.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

20. Financial assets at fair value through profit or loss

	2023 US\$	2022 US\$
Balance at 1 January	4.347.686	2.970.501
Additions	-	1.450.588
Disposals	(162.848)	(50.000)
Change in fair value (Net realised/unrealised movement)	4.741.513	(23.403)
Balance at 31 December	8.926.351	4.347.686

On 16 September 2021, the Company invested US\$350.000 in Project 10, under a SAFE (Simple Agreement for Future Equity). The SAFE grants the Company the right to receive future equity in Project 10 upon the occurrence of specific triggering events, such as an equity financing or liquidity event.

On 15 October 2021, the Company entered into a Series A investment in Element Finance, Inc., acquiring 51.061 preferred shares. The total consideration amounted to US\$1.000.000. As at 31 December 2023, based on an independent expert valuation report, the investment was valued at US\$510.876.

During 2022, the Company entered into two Simple Agreements for Future Equity ("SAFE") and a Warrant Agreement with Light Protocol. Under the SAFEs, the Company committed respectively US\$150.000 and US\$200.000 in exchange for future equity in Light Protocol., subject to the occurrence of a qualifying equity financing, liquidity event, or dissolution. As at 31 December 2023, based on an independent expert valuation report, the equity interest held in Light Protocol Labs was valued at US\$1.565.288.

On 20 October 2022, the Company transferred all Panoptic-related intellectual property and assets to Panoptic's legal entity in exchange for US\$800.000 in cash and 869.565 shares in Panoptic's legal entity. The transferred assets included domain names, software code, trademarks, branding materials, and project documentation. This transaction followed the spin-out of Panoptic's assets from the Company, Panoptic's legal entity - a process in which a parent company separates specific assets or operations into a new, independent entity - which was a condition to Panoptic's US\$4.500.000 financing round led by Gumi Cryptos Capital (gCC). On the same date, the Company entered into a Token Warrant Purchase Agreement with Panoptic's legal entity, providing the right to acquire a portion of the future network tokens upon the launch of Panoptic blockchain network. The warrants were issued without upfront cash consideration. As at 31 December 2023, based on an independent expert valuation report, the 869.565 shares held in Panoptic were valued at US\$2.693.888.

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The exposure of the Company to market risk in relation to financial assets is reported in note 8 of the separate financial statements.

21. Cash at bank

Cash balances are analysed as follows:

	2023 US\$	2022 US\$
Cash at bank	10.089	14.402
	10.089	14.402

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 8 of the separate financial statements.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

22. Share capital

	2023 Number of shares	2023 US\$	2022 Number of shares	2022 US\$
Authorised				
Ordinary shares of €1 each	<u>1.200</u>	<u>1.427</u>	<u>1.200</u>	<u>1.427</u>
Issued and fully paid				
Balance at 1 January	<u>1.200</u>	<u>1.427</u>	<u>1.200</u>	<u>1.427</u>
Balance at 31 December	<u>1.200</u>	<u>1.427</u>	<u>1.200</u>	<u>1.427</u>

23. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates. The applicable corporation tax rate in the case of tax losses is 12,5%.

The Company's current tax charge and current tax liability for the year ended 31 December 2023 are US\$ NIL (2022: US\$ NIL). No deferred tax assets or liabilities have been recognised, including in respect of unused tax losses carried forward.

In preparing the tax returns and financial statements, management has applied the relevant provisions of the Cyprus Income Tax Law, including simplification measures such as the Deemed interest income – intra-group receivables and other applicable reliefs, and has adopted income tax treatments that, to the best of its knowledge and judgement, are appropriate under the circumstances.

In accordance with IFRIC 23 Uncertainty over Income Tax Treatments, Given the complexity of the Company's operations, the absence of benchmarking for related-party transactions, and the possibility of differing interpretations by the tax authorities, management concluded that there is significant uncertainty.

Management has assessed that it is not possible at this stage to reliably estimate the effect of such uncertain tax treatments using either the most likely amount or the expected value method required by IFRIC 23. Accordingly, no liability has been recognised for uncertain tax treatments and no deferred tax has been recognised.

Management will continue to monitor developments and will reassess these conclusions in future periods as further information becomes available or as facts and circumstances change.

As at 31 December 2023, the Company had tax losses carried forward amounting to EUR 1.044.443 (2022: EUR 1.366.358). Given the Company's history of losses, the uncertainties noted in the audit report, and the absence of reliable forecasts of future taxable profits, management has concluded that the recognition of a deferred tax asset is not appropriate at this time.

24. Trade and other payables

	2023 US\$	2022 US\$
Social insurance and other taxes	-	17.992
Payables to parent (Note 25.4)	10.100.903	10.620.607
Accruals	163.477	93.517
Other creditors	235.600	125.000
Payables to fellow subsidiaries (Note 25.4)	2.005.142	1.917.554
Payables to own subsidiaries (Note 25.4)	859.468	992.800
	<u>13.364.590</u>	<u>13.767.470</u>

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

25. Related party transactions

The Company is a wholly owned subsidiary of Advanced Blockchain AG, a stock corporation incorporated in Germany and publicly listed on the Frankfurt Stock Exchange. Advanced Blockchain AG is an investor, incubator, and partner in the blockchain industry, and is the Company's parent and controlling party.

The following transactions were carried out with related parties:

25.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2023 US\$	2022 (Restated) US\$
Directors' remuneration and other performance fees	115.116	56.702

25.2 Provision of services (revenue)

	<u>Nature of transactions</u>	2023 US\$	2022 (Restated) US\$
Finpro AG (common control entity)	Trade	-	2.235.321
		-	2.235.321

25.3 Receivables from related parties (Note 19)

<u>Name</u>	<u>Nature of transactions</u>	2023 US\$	2022 US\$
AB Labs FZCO	Finance	1.400.620	1.349.832
Advanced Blockchain DMCC	Finance	16.690	16.690
		1.417.310	1.366.522

25.4 Payables to related parties (Note 24)

<u>Name</u>	<u>Nature of transactions</u>	2023 US\$	2022 US\$
Brain Networks Ltd (subsidiary)	Trade	859.468	992.800
Advanced Blockchain AG (parent)	Finance	10.100.903	10.620.607
nakamo.to GmbH (fellow subsidiary)	Finance	2.005.142	1.917.554
		12.965.513	13.530.961

26. Contingent Liabilities

As at 31 December 2023, the Company is involved in certain matters described in Note 3, which could potentially give rise to contingent liabilities. Management, after consultation with the Company's legal advisors, is currently unable to identify any specific contingent liabilities arising directly from these circumstances and events. However, given the inherent uncertainties as per Note 3, including the possibility of counterclaims by the portfolio entity, no reliable estimate of any potential financial effect can be made at this stage.

As further described in the relevant subsections of the Basis (II.B. Projects with wallet/token control or ownership, or valuation/impairment, issues- Project 10), the financial statements omit a required disclosure of contingent liabilities under IAS 37 in relation to the Company's differences under mediation process with the counterparty in 10. In particular, no such disclosure has been included in Note 25 Contingent Liabilities, even though the circumstances give rise to material possible liabilities that should have been disclosed.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

26. Contingent Liabilities (continued)

As per management's representations, the Company has entered into intercompany transactions during the years ended 31 December 2022, 2023 and 2024 respectively. Under the Cyprus Income Tax Law and related transfer pricing regulations, taxpayers are required to maintain transfer pricing documentation (Local File, and where applicable Master File) and to submit a Summary Table of Controlled Transactions together with the annual income tax return. The obligation to prepare a Local File applies when related-party transactions exceed EUR 5 million per annum per category of financial transactions or EUR 1 million per annum per category of all other transactions, while taxpayers below these thresholds are required to maintain minimum documentation to evidence compliance with the arm's length principle.

As of the reporting date, the Company has not prepared the required transfer pricing documentation and has not submitted the Summary Table of Controlled Transactions. The absence of such documentation may expose the Company to reassessment of taxable income as well as to administrative penalties and interest. The potential financial effect of this matter cannot be reliably estimated at this stage due to the complexity of the transactions and the absence of benchmarking support.

Accordingly, no provision has been recognised in these financial statements.

27. Commitments

The Company had no capital or other commitments as at 31 December 2023.

28. Events after the reporting period

As explained in note 4 important subsequent events are adequately described therein. Furthermore, causing events of impairments accounted for during 2024/2025, management has assessed that the causes of these impairments did not constitute conditions that existed as at 31 December 2023. Accordingly, these impairments have not been recognised in these financial statements in accordance with IAS 10 Events after the Reporting Period.

During 2025, the Company has received a distribution notice from Permanent Ventures Fund, notifying them that an amount of 13.108 AR tokens are credited to the Company's account effective from 15 January 2025.

During 2025, the investment held in Element Finance, Inc. is in the process of dissolution, as per management.

The Company is entitled to 18,056,556 Contango tokens. The token generation event (TGE) was initiated in 2024, and the tokens were fully delivered to the Company in 2025, subsequent to the reporting date. Following delivery, the Company initiated the process for the sale of these tokens.

During 2022, the Company entered into a Simple Agreement for Future Tokens (SAFT) with Reactive Labs, a Cayman Islands company, for a purchase amount of US\$1,000,000. The original project, "Mero," did not result in a token launch; Reactive Labs subsequently pivoted to develop the "TLX" project. The TLX token was launched in 2024, and the Company received a total of 833,333 tokens. In 2024, management recognised an impairment loss of US\$909,462 on the carrying amount of the asset, reflecting a decline in the fair value of the tokens after launch.

As at 31 December 2023, the Company held tokens delivered under several agreements in respect of the \$M project (formerly known as LAYR), with a carrying value of US\$4,312,500. At that date, the Company's entitlement comprised 4,339,286 tokens, of which 4,307,286 remained held as at 31 December 2024 respectively. In 2025, following the token's listing during 2025, \$M was delisted from a major exchange, resulting in a decline in its market price. Management considers this a non-adjusting subsequent event under IAS 10, as the conditions leading to the delisting arose after the reporting date.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2023

28. Events after the reporting period (continued)

The Company had recognised an intangible asset of a material amount as at 31 December 2023 in connection with a project agreement with a portfolio entity. During 2024, the Company recognised a receivable of a respective material amount from the portfolio entity, representing the amounts paid (in full) in relation to the (same) outstanding amount at the time. Furthermore, during 2025, the Company entered into a mediation with a portfolio company relating to an investment agreement with the company that promised recurring revenues to the Group, along with other benefits. However, almost all of these benefits have not been realized or claimed. Moreover, the investment agreement offered a partial repayment to the Company, which it sought to utilize. However, no repayments have been received. The mediation process remains ongoing. The likelihood of success in mediation is uncertain. If unresolved, the matter could proceed to binding arbitration. The company's legal counsel estimates a high chance of success on the merits in a potential arbitration, though recovery of funds still remains uncertain.

These events, while important for the Company's operations and financial position, are non-adjusting for the purposes of these financial statements because the underlying conditions giving rise to them did not exist at the reporting date. Management continues to monitor these developments closely, and any matters requiring recognition or further disclosure will be addressed in the the subsequent financial statements.

The impact of events after the reporting date on the going concern is described in note 6.

Independent auditor's report on pages 5 to 31

INCREDULOUS LABS LIMITED

COMPUTATION OF CORPORATION TAX

31 December 2023

Net profit per income statement	Page 32	US\$	US\$ 3,240,300
<u>Add:</u>			
Deemed interest income – intra-group receivables		55,676	
Fair value losses on financial assets at fair value through profit or loss		1,610,241	
Impairment charge - investments in subsidiaries		99	
Impairment charge - intangible assets		1,053,947	
Unrealised foreign exchange loss		308,206	
Fines		4,556	
Expenses attributable to exempt income		85	
Other non-allowable expenses		<u>68,807</u>	
			<u>3,101,617</u>
			6,341,917
<u>Less:</u>			
Profit from sale of financial assets at fair value through profit or loss		573,154	
Impairment Loss on Digital Assets – Permanently Lost		551,198	
Fair value gains on financial assets at fair value through profit or loss		6,351,754	
Unrealised foreign exchange profit		<u>375,637</u>	
			<u>(7,851,743)</u>
Net loss for the year			(1,509,826)
			€
Converted into € at US\$ 1,105,000 = €1			(1,366,358)
Loss brought forward			<u>(1,044,443)</u>
Loss carried forward			<u>(2,410,801)</u>

CALCULATION OF TAX LOSSES FOR THE FIVE-YEAR PERIOD

Tax year	2018	2019	2020	2021	2022	2023
	€	€	€	€	€	€
Profits/(losses) for the tax year	-	-	-	(4,480,399)	3,435,956	(1,366,358)
Gains Offset (€)	-	-	-	3,435,956	-	-
- Year				2022		
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						

Net loss carried forward (2,410,801)