

**INCREDULOUS LABS LIMITED**

**REPORT AND SEPARATE FINANCIAL  
STATEMENTS**

31 December 2024

**INCREDULOUS LABS LIMITED**

**REPORT AND SEPARATE FINANCIAL STATEMENTS**  
31 December 2024

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**INCREDULOUS LABS LIMITED**

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**BOARD OF DIRECTORS AND OTHER OFFICERS**

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

# INCREDULOUS LABS LIMITED

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## MANAGEMENT REPORT

The Board of Directors presents its report and audited separate financial statements of the Company for the year ended 31 December 2024.

### **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\$1.246.624 (2023: US\$3.240.300). On 31 December 2024 the total assets of the Company were US\$22.117.468 (2023: US\$22.099.565) and the net assets of the Company were US\$9.981.601 (2023: US\$8.734.977).

Notwithstanding positive net assets at 31 December 2024, 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

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## 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 2024. 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 2024 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 (as disclosed in the prior year's financial statements), 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 28. 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.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2024 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2024.

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.

# INCRECULOUS LABS LIMITED


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## MANAGEMENT REPORT

### Independent Auditors

The Independent Auditors, C.F.S. Coretax Financial Services Ltd, 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:  
  
EE01489FEAFB48E...  
Hatem Magdy Elsayed  
Director

Signiert von:  
  
58C05EDAB23B4F7...  
Maik Laske  
Director

Nicosia, 26 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"), a subsidiary of Advanced Blockchain AG, which are presented in pages 28 to 77 and comprise the statement of financial position as at 31 December 2024, 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—principally the fraud-related limitations, including the related control deficiencies, that prevented us from obtaining evidence over the existence, completeness, valuation, classification and ownership of significant balances and transactions—we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying financial statements of the Company for the year ended 31 December 2024.

##### **Comparative Information**

The financial statements present comparative information for the year ended 31 December 2023. As explained in our separate auditor's report on those financial statements, we expressed a disclaimer of opinion because of pervasive limitations on the scope of our audit. As those matters remain unresolved, our disclaimer of opinion also extends to the 2023 comparative information presented in these financial statements.

##### **Material Misstatement of Disclosure**

All but one of the numerous matters described in the Basis for Disclaimer of Opinion represent uncertainties arising from insufficient audit evidence, that is the possible effects of undetected misstatements, if any, the cumulative effect of which is the cause for the disclaimer. In addition to these matters of uncertainty and possible misstatement forming the basis of the disclaimer, we identified the following matters of disagreement, that is, actual misstatements, both being of disclosures in the financial statement notes:

- Dividend income disclosure (Note 11):

As described in the relevant subsection of the Basis (II.H1.3. Dividend income), we concluded that the disclosure in Note 11 relating to the dividend from a subsidiary accounted for in the 2021 and restated retrospectively in the 2023 financial statements, and still one of the principal unresolved matters remaining under management's investigation, is incomplete and insufficiently understandable under IFRS.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Disclaimer of Opinion (continued)**

- Contingent liabilities disclosure (Note 26):

As further described in the relevant subsection of the Basis (II.B. Projects with wallet/token control or ownership, or valuation/impairment, issues), the financial statements omit a required disclosure of contingent liabilities under IAS 37 in relation to the Company's mediation process with portfolio entity. In particular, no such disclosure has been included in Note 26 Contingent Liabilities, even though the circumstances give rise to material possible liabilities that should have been disclosed.

Each of these constitutes a material misstatement of disclosure in the financial statements.

#### **Successive disclaimers of opinion in current and prior year**

Although our reports for both 2023 and 2024 result in disclaimers of opinion, the 2024 audit and the issuance of this report were in our professional judgement necessary in the public interest, following the issue of our disclaimer of opinion report for 2023, to provide users of the financial statements with independent updated communication about the continuing impact of the fraud and control failures on the 2024 financial statement information and any actual misstatements identified in our audit work. The 2023 and 2024 audits were undertaken by us in close succession, with certain procedures performed during overlapping periods, having been engaged at the same time following the discovery of the fraud in 2024, and the two reports were issued within a short interval; issuing a separate report for 2024—despite similar limitations—ensures transparent, year specific reporting for users. Our disclaimer therefore ensures that users are aware of the limitations of financial statements prepared from accounting records and evidence that remain materially affected by those unresolved limitations.

#### **Basis for Disclaimer of Opinion**

As described in Note 3 to the financial statements and based on representations from current management, the Company continues to be affected significantly by suspected fraudulent activity discovered in 2024 in connection with the actions of two successive former sole directors and an external adviser (hereafter to be referred to collectively, where needed or useful, as the "associated persons"). The suspicions of current management are that between 2021 and 2024, Company digital assets were misappropriated and the effects were concealed through inappropriate, false, or misleading accounting entries. Numerous wallets used in Company activities during that period were controlled by the associated persons. As at the date of approval of these financial statements, a number of those wallets remain outside the Company's control. Unless otherwise indicated, "management" refers to the current management responsible for preparing these financial statements and leading the ongoing investigation and recovery efforts. For ease of reference, the two successive former sole directors are referred to as FD1 and FD2.





## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

In our professional judgment, the suspected fraud has had a pervasive impact on the Company's accounting records underlying the preparation of these financial statements. Based on our evaluation of the Company's internal control environment, we concluded that the suspected fraudulent acts were facilitated by fundamental weaknesses, in particular the concentration of authority and access to digital asset wallets in a single associated person, without adequate segregation of duties or effective parent-level oversight. These weaknesses significantly contributed to the pervasive uncertainties and to our inability to obtain sufficient appropriate audit evidence regarding the affected assets and related transactions.

Following discovery of the suspected fraud in 2024, the Company discontinued the office of the then sole director (one of the associated persons), withdrew the already issued 2023 financial statements, and ensured the predecessor auditor withdrew their audit report issued thereon. The financial statements on which we are issuing this audit report replace those withdrawn 2023 financial statements. For clarity, hereafter, the withdrawn financial statements will be referred to as "the withdrawn financial statements"; any references to "the financial statements" or "current financial statements" mean the revised financial statements on which we report.

The 2023 and 2024 audits were undertaken in close succession while the fraud-related uncertainties remained unresolved. Although this resulted in disclaimers of opinion for both periods, performing the 2024 audit and issuing a separate report was, in our professional judgement, necessary to provide users with year-specific communication about the continuing impact of the fraud and related control failures on the financial statements.

The Company's investigation and recovery efforts were still incomplete as of the approval date of these financial statements. A substantial number of accounts, balances and transactions, including wallet balances, remain under review, and many wallets over which access was lost have not yet been recovered. Only some requests by management for release of assets have led to partial recoveries; many remain outstanding.

Consequently, despite management's ongoing efforts, the financial statements for 2024, like those of 2023, were prepared from accounting records subject to a high degree of uncertainty, particularly in relation to the assertions of existence, completeness, valuation, classification, ownership and cut-off. Very material adjustments to multiple line items across the financial statements — including recognition of new assets, liabilities, income or expense items — could have been required had the fraud investigations and recovery efforts been successfully completed by the approval date.

Such is the breadth and scope of these remaining uncertainties that we were not able to obtain sufficient appropriate audit evidence to reduce to an acceptably low level the risk of material misstatements being present across any of the principal line items or assertions in the financial statements.

Our inability to be reasonably assured extended in particular to the disclosure of, and in relation to, the suspected fraudulent acts themselves. As explained in section II/A below, we are unable to consider the risk of inadequacy in the information provided as acceptably low, and thus could not reasonably exclude the possibility that material amendments may be required.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

In addition to the pervasive impact of the suspected fraud and its consequences, which on its own is sufficient to require a disclaimer of opinion, our audit procedures also identified a number of specific additional matters. These matters, described below, were evaluated using a materiality approach in which qualitative factors and the extraordinary circumstances of the engagement were given significant weight relative to quantitative thresholds.

#### **II. Specific additional matters**

##### **II.A. Disclosure of fraud-related events**

As is common in cases of suspected fraud, the Company's disclosure of, and in relation to, the questionable acts is subject to legal constraints and sensitivities. In this case, the disclosure presented in Note 3 has been necessarily limited in extent and detail by the risks inherent in making public statements about suspected fraudulent acts and the individuals involved, as assessed by management.

Given the exceptional nature and complexity of the matter—particularly the seniority of the associated persons, that is, the involvement of successive sole directors and a senior adviser— we were unable to consider the risk that the disclosure provided is inadequate, especially incomplete, as acceptably low. We also were unable to obtain sufficient appropriate audit evidence that no further disclosure was required or legally permissible, including in relation to subsequent events, considering that the discovery of the suspected acts occurred after the financial statements date.

Similarly, the audit procedures that we were able to perform did not reduce the assessed risk of material misstatement in the fraud-related disclosures with respect to other relevant 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\$7,523,252 (2023: US\$9,113,060) and financial assets at fair value through profit or loss (FVTPL) amounting to US\$9,539,477 (2023: US\$8,926,351) as at 31 December 2024. These balances arise mainly from the Company's investments in a diverse portfolio of blockchain projects and, to a lesser extent, holdings of digital currencies, within the range of its activities described in Note 1 to the financial statements.

A number of these projects continue to be impacted by the suspected fraud in ways that create material uncertainties preventing us from reaching positive conclusions on several — and in some cases most or all — of the principal assertions relating to these assets, including existence, ownership, valuation and completeness.

For reasons of legal confidentiality, our descriptions of individual projects are provided without disclosing the identity of counterparties. In most cases, the underlying trigger of the issue is the Company's loss of control of wallets associated with the project when office or service ceased for one of the associated persons (the two former sole directors, FD1 and FD2, or the adviser), who had and retained exclusive control over those wallets. For convenience these are referred to as "old wallets", meaning wallets under the control of the associated persons before their relationship with the Company ended following discovery of the questionable acts.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

Our descriptions of events and facts for each project are based primarily on management-provided information and representations, together with other information that we were able to obtain and, to the extent possible, corroborate in our audit work. Where we were unable to obtain sufficient appropriate audit evidence to confirm the accuracy or reliability of such information, this limitation has been reflected in our conclusions on the nature and extent of modification in the respective individual project sections.

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 US\$1 (2023: US\$1), being the cost of acquisition recorded at initial recognition of US\$100.000 and full impairment US\$99.999 recognised in the restated (revised and reissued) financial statements for 2023 as an error correction by prior period adjustment 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 2022.

On 22 February 2021, a fellow subsidiary of the Company entered on its behalf 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 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 old wallet, and subsequently they were transferred out to unknown wallets. Despite several formal requests from the current management to FD1, the tokens have to date not been recovered by the Company, resulting in its decision to fully impair the asset, while in the process of pursuing recovery efforts, by prior period adjustment 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.

The company is in the process of initiating legal proceedings, in particular 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.

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.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

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 lost proceeds of sale by the Company at a time of its choosing, when fair value was high. Such circumstances could potentially give rise to a claim by the Company against FD1 for those lost proceeds, subject to asset recognition criteria.

#### **Project 2**

This project is included in financial assets at fair value through profit and loss at US\$1 (2023: 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 issued and held shares and the still outstanding token rights. The Agreement was executed in 2023 and on 4 August 2023 the Company received total proceeds of US\$320,000, yielding 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 efforts, nor has adequate clarification been provided by the previous 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 the receipt of the tokens at no cost to it into its old wallet. However, it has since been pursuing continuing 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 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 as apparently the legally rightful owner, as a potential loss to either party caused by FD 2 being attributable to his improper withholding of the wallet's control, as it could have disposed them for value, raising the possibility of a Company receivable claim against the suspect and/or a claim by the rights' buyer against the Company, subject in each case to asset and liability recognition criteria.

We were unable to obtain sufficient appropriate audit evidence to reduce to an acceptably low level the risk of material misstatement relating to the completeness assertion, in respect of assets or liabilities that may have arisen from the circumstances of the tokens received despite the related rights having been sold; that is, whether any associated assets or liabilities were omitted from recognition.

Additionally, we were unable to obtain sufficient appropriate audit evidence regarding the existence, ownership, classification and valuation (in particular the risk of understatement) of the asset recognised in respect of this project, within financial assets at fair value through profit or loss at US\$1.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

Accordingly, we could not determine whether an upward adjustment to that carrying amount, recognition of additional assets or liabilities, or amendments to related disclosures would have been required had this matter been resolved by the date of approval of the financial statements.

#### **Project 3**

This project is included in intangible assets at US\$1 (2023: US\$1), representing an acquisition cost of US\$200.000 and full impairment of US\$199.999 recognised in 2023.

In 2021, the Company (initially through its parent, ABAG) entered into an agreement with Project 3's counterparty to acquire 7.333.333 tokens for US\$200.000. The tokens were first transferred to the parent's wallet in 2021. In 2023, according to current management, they were mistakenly transferred to a wallet under the control of FD1, who had left office in 2022 but retained access, and have not since been returned despite efforts by the Company and by his successor, FD2, before his own cessation in 2024. Current management impaired the asset in full in 2023, though recovery efforts, including legal proceedings, are ongoing.

The loss of access and use of the tokens during the relevant period could have resulted in a substantial loss to the Company, such as foregone sale proceeds, potentially giving rise to a receivable from FD1, subject to recognition criteria.

We were unable to obtain sufficient appropriate audit evidence to conclude that the carrying amount is free from material understatement, or to verify the ownership, classification or related disclosures for this asset. Accordingly, we could not determine whether adjustments to the carrying amount or amendments to disclosure would have been required had this matter been resolved by the approval date of the financial statements.

#### **Project 4**

This project is recognised within intangible assets at US\$132.721 (2023: US\$371.547), representing the cost of acquiring 181.400,5 tokens in 2022 for US\$1.000.000, less the accumulated credit of US\$867.279 from the sales within 2023 and 2024 of 127.941 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.

From March 2022 to May 2024, both initial purchase and earned as staking reward, were transferred upon vesting 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).



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

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 diverted to addresses inaccessible to current management.

Since May 2024, additional staking rewards have continued to be credited to the old wallet controlled by FD1 but diverted to two unidentified blockchain addresses. Their controllers remain unconfirmed. Current management's investigations indicate the tokens were likely misappropriated, resulting in a loss of value to the Company, particularly foregone sale proceeds. The Company is pursuing a damages claim.

We were unable to obtain sufficient appropriate audit evidence regarding the valuation, ownership, classification and disclosure of this asset. Ownership uncertainty arises from the loss of wallet control. Classification uncertainty arises from the possibility that the asset, or part of it, should be recorded as a receivable.

Accordingly, we cannot determine whether material adjustments to the carrying amount, including possible derecognition and/or recognition of another asset, or amendments to related disclosures, would have been required had the matter been resolved by the approval date of the financial statements.

#### **Project 5**

This project is included in intangible assets at US\$1 (2023: US\$1), representing an acquisition cost of US\$1.578.000 and a full impairment recognised in 2023.

The acquisition cost included US\$250.000 carried forward from 2021 entries that management cannot identify or explain, particularly in relation to any specific tokens, wallets or digital assets. In 2022, the Company entered into a purchase agreement to acquire 7.000.000 Project 5 tokens for US\$28.000, increasing the account balance to US\$1.578.000. To date it remains unclear whether these tokens were ever received.

The Company subsequently increased its investment through token swaps by US\$1.300.000, receiving 2.741.020 tokens. These tokens were transferred in 2023 to an unidentified address controlled by the former director or adviser associated with the project who had executed the swaps. The identity of this individual remains unknown.

Management impaired the investment in full in 2023, though recovery efforts are ongoing. While we obtained adequate evidence that the tokens' fair value was immaterial at the financial statement date, the Company's deprivation of access and use during the period could have caused a material loss, for example foregone sale proceeds at times when market prices were higher. Such circumstances could give rise to a receivable claim against the individual concerned, subject to the probability of recovery and reliable measurement.

We were unable to obtain sufficient appropriate audit evidence to conclude that the carrying amount is free from material understatement, or to verify the ownership and classification of these tokens, given the control issues and potential receivable claim. Accordingly, we could not determine whether material adjustments to the carrying amount or amendments to disclosure would have been required had the matter been resolved by the approval date of the financial statements.



## **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 US\$1 (2023: US\$1), representing an acquisition cost of US\$250.000 in 2022 and a full impairment recognised in 2023.

On 4 January 2022, the Company acquired 5.000.000 tokens for US\$250.000. According to management, these tokens have not been delivered. The purchase was facilitated by FD1 (in office 9 April 2021–10 June 2022) using funds from the parent company, but the agreement recorded FD1 personally as the investor rather than the Company. The matter remained unresolved at the time FD1 left office.

After FD2 succeeded FD1, the project counterparty contacted the Company in 2023 using FD1's registered email, but FD2 did not follow through to provide a Company wallet address. Current management has since asked the counterparty to amend the agreement to substitute the Company as the investor and deliver the tokens, but no amendment or delivery has been effected.

Management therefore impaired the asset in full in 2023.

We were unable to obtain sufficient appropriate audit evidence regarding the valuation of this asset, specifically whether the carrying amount is free from material understatement, or to verify the ownership and classification of the tokens, given the control issues and potential claim against the responsible individual. Accordingly, we could not determine whether adjustments to the carrying amount or amendments to disclosure would have been required had the matter been resolved by the date of approval of the financial statements.

##### **Project 7**

Within Trade and Other Receivables of US\$5.028.697 (2023: US\$4.033.727) (Note 19) is a trade receivable of US\$3.391.271 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 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 contingent liabilities that may arise from these uncertainties and would require disclosure, no such contingencies are referred to in 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, intangible assets in the statement of financial position amount to US\$7.523.252 (2023: US\$9.113.060) of which US\$6.701.464 relates to 22 projects and US\$821.788 to wallet balances. This total includes five of the seven projects described in Section II.B.1 that are classified as intangible assets, with a combined carrying amount of US\$132.725. For each of these projects we were unable to obtain sufficient appropriate audit evidence regarding valuation.

For the remaining 17 projects, with a combined carrying value of US\$6.568.739, no specific issues of ownership or control were identified. However, in view of the pervasive uncertainties described in Note 3, we were also unable to obtain sufficient appropriate audit evidence regarding their valuation (US\$7.390.527), in particular to confirm that all material impairment allowances had been recognised.

Accordingly, we were unable to determine whether material adjustments to these amounts, or amendments to related disclosures, might have been required in the financial statements.

##### **II.B.3. Projects at FVTPL – valuation issue**

Financial assets at fair value through profit or loss (FVTPL), arising from 16 projects, total US\$9.539.477 (2023: US\$8.926.351) as at 31 December 2024. For most of these projects management obtained independent external valuation reports at or close to year-end to support the fair values used. For others, no such reports were available. We comment separately on these two categories in the below sections:

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 reports**

Valuation reports were not provided for the following three projects (out of 16), which together contribute US\$705.975 to the total carrying amount of US\$9.539.477:

- Alluo Ltd – US\$105.975
- VolumeFi Software, Inc. – US\$350.000
- Mekatek AG – US\$250.000

Management did not provide, and we were unable to obtain from other sources, sufficiently reliable alternative evidence. Accordingly, we did not obtain sufficient appropriate audit evidence on the valuation of these assets and therefore cannot determine whether material adjustments to their carrying amounts might have been necessary.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

##### **II.B.3.2 Projects at FVTPL with external valuation reports**

For the remaining 7 projects, for which valuation reports were provided, representing US\$8,833,502 of the total balance, unresolved uncertainties remain. The reports were obtained under the responsibility of former management, and in the context of the questionable acts already described, we assessed the residual risk of material misstatement in these valuations as still unacceptably high.

Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding the valuation of these assets and cannot determine whether material adjustments to their carrying amounts might have been necessary.

##### **II.C. Exchange Platform Accounts – Issues**

###### **Binance**

There is no balance in the statement of financial position, or amount in the statement of profit and loss and other comprehensive income, directly associated with this matter; the issue concerns completeness, specifically the risk of omitted balances or transactions.

FD2 informed current management that the Company held a Binance account between 2021 and 2024, with a balance of US\$60,000, controlled by FD1. Current management had no prior knowledge of this account and found no evidence of it in the Company's accounting or other records. On obtaining access credentials, management reviewed the account and found no movements or balances.

However, it remains possible that other Binance accounts exist, potentially with material balances or transactions, whether related to FD2's information or not, that are unknown to current management and omitted from 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 potentially affected assets, liabilities, income and expenses. Accordingly, we cannot determine whether adjustments or additional disclosures would have been required had this matter been resolved.

###### **Kraken**

As at 31 December 2024, intangible assets of US\$7,523,252 (2023: US\$9,113,060) include US\$26,060 relating to a Kraken account. This account was opened in 2021 in the name of, and apparently legally owned by, fellow subsidiary nakamo.to GmbH.

Nevertheless, its transactions — trades, liquidity movements, deposits and withdrawals — have been recorded in the Company's books as if they were its own. These entries materially affect both revenues and expenses in the profit and loss statement and the intercompany balance with nakamo.to (US\$2,005,142 at 31 December 2024). Neither management nor we could reliably quantify these effects. Management attempted an extensive reconciliation involving estimates and approximations, but we were unable to obtain adequate evidence of its accuracy.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

Total movements through the account in 2024 were:

- Incomings: US\$4.202.304
- Outgoings: US\$4.237.594

Because of the uncertainty created by recording these transactions as if they were the Company's, we were unable to obtain sufficient appropriate audit evidence on the affected balances and disclosures. This limitation applies to all material assertions, including ownership, existence, completeness and accuracy in respect of the statement of financial position balances, and occurrence, completeness, and accuracy, in relation to profit and loss amounts. Accordingly, we cannot determine whether adjustments or disclosure amendments might have been necessary in respect of this matter.

#### **FTX**

There is no balance in the statement of financial position specifically designated for this matter, but prior movements through an FTX account had material effects on the financial statements. The issue lies in the account's ownership, being unclear to current management since it was appointed, and remaining unresolved to date. Although it had no balance at 31 December 2024 or movements in 2024, it did have prior movement, which the Company recorded as if it were its own account.

Specifically, in 2022, transactions through this account totalling approximately US\$2.7 million (equal incomings and outgoings) were recorded, comprising transfers to a Company wallet and settlements of receivables from a former subsidiary. Both management and we found the documentation supporting these entries inadequate. As incomings equalled outgoings, the account balance was zero at year-end 2022, carried forward to 2023 and 2024. Thus, the uncertainty affected the 2023 opening balances and comparatives, remaining unresolved to date.

As of the date of approval of the financial statements, ownership of the FTX account and the nature of the recorded 2022 transactions remain unresolved. Management's efforts were hampered by the November 2022 collapse of FTX, which eliminated access and records. The only indication of ownership is the accounting entries themselves, recorded under the responsibility of the former accountant, whose reliability is questioned by current management. No confirmation could be obtained from FTX representatives.

Accordingly, because of the uncertainty over account ownership and inadequate documentation of transactions, we were unable to obtain sufficient appropriate audit evidence on the affected opening balances and comparatives. This limitation applies across all relevant assertions, including ownership, existence, completeness, occurrence and accuracy. We therefore cannot determine whether adjustments or disclosure amendments would 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)**

##### **II.D. Old wallets in Intangible Assets**

Intangible assets at 31 December 2024 total US\$7,523,252 (2023: US\$9,113,060), including US\$821,788 representing wallet balances, regarded as belonging to the Company. Some of these balances, totalling US\$3,625, were not under the control of current management as at the approval date of the financial statements, as explained below.

Up to 5 August 2024, shortly before FD2's cessation of office on 22 October 2024 (tenure 10 June 2022–22 October 2024), all non-custodial wallets used by the Company were controlled by former directors FD1, FD2, or the adviser. Their private keys were not transferred to current management on its appointment, which current management considers as not inconsistent with industry practice.

The totals of the balances of these old wallets outside current management's control at the last three year-ends were:

- 31 December 2024 – US\$3,625
- 31 December 2023 – US\$404,183
- 31 December 2022 – US\$1,426,706

The Company's investigations have not yet clarified how, whether and to what extent wallet access and balances were handed over between FD1 (in office 9 April 2021–10 June 2022) and FD2.

Current management has created new wallets, regarded as better practice, and transferred most Company and Group assets into them. However, some balances, totalling US\$3,625, remain in old wallets controlled by former management and/or the former adviser, and in certain cases the current controller of those wallets is unidentified.

Because of the continuing lack of control and access over these wallets, we were unable to obtain sufficient appropriate audit evidence regarding both the year-end balances totalling US\$3,625 and the movements during the year that resulted in those balances. This limitation applies to all material assertions, including existence or occurrence and validity, ownership, completeness, valuation and accuracy. Accordingly, we cannot determine whether adjustments to these balances or other affected amounts, or amendments to related disclosures, in the financial statements would have been required.

In addition, current management found documentation and explanations supporting entries for the old wallets to be highly inadequate. This contributed to broader uncertainties over the completeness and accuracy of the Company's accounting records and was a factor in the decision to withdraw and reissue the 2023 financial statements.

##### **II.E. Portfolio Entity Receivable**

As stated in Section II.B, trade receivables at 31 December 2024 total US\$3,531,550 (2023: US\$2,589,651), of which US\$3,391,271 (2023: US\$2,539,651) relates to receivable from portfolio entity.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

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 remains subject to unresolved uncertainty with the portfolio entity, as part of an overall uncertainty regarding the mutual financial position of the two parties 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 were unable to obtain sufficient appropriate audit evidence regarding the existence, completeness, accuracy, valuation or ownership of this receivable.

Furthermore, consistent with our conclusion in Section II.B, we also lacked sufficient appropriate audit evidence over the completeness of related payables and the disclosure of contingent liabilities. Payable balances to the portfolio entity may have existed, met the recognition criteria of probability and measurability, yet were omitted from the financial statements.

Consequently, we cannot determine whether material adjustments to the carrying amount of the receivable, or for recognition of omitted payables, or amendments to disclosures would have been required had this matter been resolved by the approval date of the financial statements.

#### **II.F. Transfers to/from Adviser without explained business rationale**

No specific balance in the statement of financial position is directly associated with these transactions. The issue affects opening balances and may extend to closing balances and amounts reported in the statement of profit or loss and other comprehensive income.

During our audit of 2023 (reissued financial statements) our audit procedures on opening balances at 1 January 2023—especially important in the light of the suspected fraud—identified that in 2021 and 2022 the Company's accounting records, prepared under the responsibility of the former accountant, included entries for several transfers of cryptocurrency (stablecoin USDC) from Company wallets to those of the external adviser referred to in Note 3. These were recorded as loan advances totalling US\$1,018,526 without adequate documentation or explanation. No loan agreement, written or oral evidence, or information on business rationale or authorisation was identified.

Although records indicate—and we were able to corroborate (in our audit of 2023)—that the assets were ultimately returned during 2022 to Company wallets (now part of the set of old wallets not controlled by current management), the uncertainty surrounding these transfers may materially affect the opening balances at 1 January (2023 and) 2024 and comparatives for 2023. The potential effects include completeness, classification and presentation of balances and related disclosures.

These possible effects are not determinable from the information available, and material adjustments or disclosure amendments may ultimately be required.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

#### **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)**

Trade and Other Payables at 31 December 2024 total US\$12.135.867 (2023: US\$13.364.590), including payables to the parent ABAG (US\$8.797.300), fellow subsidiary nakamo.to GmbH (US\$2.005.142), and subsidiary Brain Networks Ltd (US\$859.468) (Note 24).

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.

##### **II.G1.2 Receivables from own subsidiaries (AB FZCO and AB DMCC)**

Trade and Other Receivables at 31 December 2024 total US\$5.028.697 (2023: US\$4.033.727), including receivables from subsidiaries AB FZCO and AB DMCC amounting to US\$1.468.982 (US\$1.402.321 and US\$66.661 respectively) (Note 19). No impairment allowances were recorded.

We were unable to obtain sufficient appropriate audit evidence regarding valuation, particularly whether impairment allowances were required for impairments existing at the reporting date. In reaching this conclusion, we considered the actual and potential future financial effects of the questionable acts described in Note 3 on the group as a whole, including the debtor subsidiaries, and the Company's ability and willingness to recover these balances. These effects cannot be reasonably estimated as at 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 cannot determine whether material adjustments to these receivables, or amendments to related disclosures, would have been required.

##### **II.G2. Other creditors**

Trade and Other Payables at 31 December 2024 include Other Creditors of US\$235.600 (Note 24).

We were unable to obtain sufficient appropriate audit evidence regarding the existence, validity, accuracy, valuation, ownership or classification of these payables. Accordingly, we cannot determine whether material adjustments to their carrying amount would have been required.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

##### **II.G3. Liabilities- completeness (principally)**

We were unable to obtain sufficient appropriate audit evidence over the Company's liabilities in the financial statements, particularly completeness. This reflects the deficiencies in the accounting and control system noted elsewhere, including its impact on liability reporting, and 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.

#### **II.H. Income and Expenses**

##### **II.H1. Income**

##### **II.H1.1 Revenue**

Revenue reported in the statement of profit or loss and other comprehensive income is US\$229.179 (2023: US\$22.500).

In view of the exceptional circumstances surrounding the accounting records from which the financial statements were derived, and the control system under which the records were produced including the controls over revenue accounting, as described previously in this report, principally in Section I, and in the financial statements, in particular Note 3, we were unable to obtain sufficient appropriate audit evidence to assure us reasonably that the risk of material misstatements in revenue is acceptably low in respect of any of the material assertions, in particular occurrence and completeness, and therefore cannot determine whether, and to what extent, material adjustments to revenue might have been required.

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

Operating Income – Fair value, Gains on disposals and Other income of US\$4.222.868 (2023: US\$8.220.796) is reported in the statement of profit or loss and other comprehensive income.

Given the pervasive uncertainties in the accounting records and weaknesses in internal control described in financial statements Note 3 and Section I of this report, we were unable to obtain sufficient appropriate audit evidence that the risk of material misstatements in operating income is acceptably low regarding its occurrence, validity, completeness, accuracy and cut-off. Consequently, we cannot determine whether material adjustments to the reported amount would have been required.

##### **II.H1.3 Dividend income**

The financial statements for 2023 included a retrospective adjustment of retained earnings relating to a dividend receivable from a subsidiary, originally recognised in 2021 at US\$9.082.431 and restated in 2023 to US\$8.538.266. As disclosed in Note 11 (and Note 3), no written or formal dividend resolution of the subsidiary's board has been identified.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

Management's reassessment of the dividend to US\$8,538,266 was based on the maximum distributable earnings of the subsidiary after correcting identified prior misstatements in 2021 revenue and expenses. However, we were unable to obtain sufficient appropriate audit evidence regarding the accuracy, validity and presentation of the information in Note 11. We concluded the disclosure is incomplete and not sufficiently understandable.

Accordingly, we were unable to obtain sufficient appropriate audit evidence on the occurrence, completeness and accuracy of this dividend income as recorded in 2021 and restated in 2023 (reissued financial statements), to determine whether adjustments to opening retained earnings at 1 January 2024, the payable to the subsidiary, or related disclosures would have been required.

#### **II.H2. Expenses**

##### **II.H2.1 Engineering & Development Services**

Operating expenses of US\$3,073,723 (2023: US\$4,567,952) include:

- Engineering and development services: US\$0 (2023: US\$269,688)
- Commissions and performance fees: US\$132,904 (2023: US\$354,065)

There were pervasive deficiencies in the explanation and documentation of these expenses, including missing invoices and inadequate authorisation. Consequently, we were unable to obtain sufficient appropriate audit evidence regarding their occurrence, validity, classification, completeness or cut-off. Material adjustments to these amounts might therefore have been necessary.

##### **II.H2.2 Directors' Salaries**

Staff costs of US\$95,537 (2023: US\$115,116) relate wholly to directors' salaries.

Based on our evidence, there were pervasive deficiencies in the explanation, documentation and authorisation of these salaries. Accordingly, we were unable to obtain sufficient appropriate audit evidence regarding their occurrence, validity, classification, completeness or cut-off. Material adjustments to these amounts might therefore have been necessary.

##### **II.H2.3 Other expenses**

Beyond the specific categories noted above, the Company's severely weak system of internal control has given rise to pervasive uncertainty over the completeness and accuracy of other expenses reported in the statement of profit or loss and other comprehensive income.

We were unable to obtain sufficient appropriate audit evidence to conclude that these balances are free of material misstatement, including misstatements from undiscovered fraud or error. Consequently, there is an unacceptably high risk that they contain material misstatements, and material adjustments might therefore have been necessary.





## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

##### **II.I. Taxes**

Included in the statement of profit or loss and other comprehensive income is a corporation tax charge of US\$ NIL (2023: US\$ NIL), and included in the statement of financial position is a corporation tax liability of US\$ NIL (2023: 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.

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 specific conclusions on the fraud-related disclosure in Section II.A and our general conclusions in Section I, we note that the exceptionally high uncertainty and scope limitations in these financial statements arise from:

- the questionable activities of the associated persons (sole members of the former management body and the adviser) over several years, including the greater part of the reporting period (until the appointment of current management in October); and
- their subsequent identification and investigation by current management, including litigation and other proceedings, judicial and extra-judicial, initiated or under consideration in respect of numerous actual and potential claims relating 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).



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

##### **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.

##### **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, following discovery of the suspected fraudulent acts described in 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 revised financial statements, resulting in our predecessor auditor withdrawing their audit report on those financial statements.

Errors originating in prior periods (2021 and 2022) were corrected in the revised 2023 financial statements by retrospective restatement of comparative amounts and opening balances in accordance with IAS 8.42. The 2021 and 2022 financial statements themselves were not withdrawn or reissued.

Our audit procedures in our audit of the revised 2023 financial statements on opening balances at 1 January 2023 and on comparative information were substantially expanded in view of the heightened risk arising from the suspected fraudulent acts, which extended into prior periods. They had resulted in the restatements, in the revised 2023 financial statements, of certain comparatives and opening balances noted above.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Basis for Disclaimer of Opinion (continued)**

However, because of the significance and pervasiveness of the suspected fraud and related matters, and our resulting inability to obtain sufficient appropriate audit evidence, we were unable to reduce the risk of material misstatement in the comparatives in the 2023 financial statements to an acceptably low level. Because of the same underlying circumstances, equally applicable to the 2024 financial statements and audit to the extent that the periods of preparation of the financial statements and performance of the audits for the two successive years largely overlapped, having been initiated following the identification of the suspected acts, we likewise have been unable to obtain sufficient appropriate audit evidence on, and thus cannot determine whether and to what extent material adjustments might have been necessary to, the comparative amounts and opening balances in the 2024 financial statements. We are therefore unable to conclude on the comparability of the current year's financial statements with those of prior period.

#### **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 Funds, 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.

#### **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.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **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, we draw attention to the fact that our audits of the 2023 and 2024 financial statements were engaged for and initiated at the same time, and conducted in overlapping periods, following discovery of the fraud in 2024 and the withdrawal of the previously issued 2023 financial statements and our predecessor's audit report on them; resulting in separate reports being issued by us within a short interval, on the 2023 (revised and reissued) and the 2024 financial statements approved by current management within a similarly short period of time. In our professional judgment, it was necessary to issue a distinct report for each financial year, even though the underlying limitations were substantially the same, to ensure that users of each set of financial statements receive transparent year-specific auditor communication reporting on the continuing circumstances and pervasive uncertainties as they affected each period.

We also note that, as with many audits involving material holdings of digital assets, the inherent characteristics of such assets present particular challenges for the auditor. These include reliance on access to cryptographic keys, tracing transactions across multiple wallets, establishing ownership rights where access has been lost, and obtaining reliable valuations in markets that may lack depth, liquidity or transparency. These challenges, while industry-wide, were exacerbated in this engagement by the specific fraud-related circumstances described in the Basis for Disclaimer of Opinion.



## **Independent Auditor's Report (continued)**

### **To the Directors of Incredulous Labs Limited**

#### **Other Matters (continued)**

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.

Signed by:  
  
7CDE14C38902481...  
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, 26 August 2025

**INCREDULOUS LABS LIMITED****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**31 December 2024**

	Note	<b>2024</b> <b>US\$</b>	2023 US\$
<b>Revenue</b>	12	<b>229.179</b>	22.500
Staff costs	15	<b>(95.537)</b>	(115.116)
Operating Income – Gains on disposals and Other income	13	<b>4.222.868</b>	8.220.796
Impairment charge- investment in subsidiaries		-	(99)
Operating Expenses – Development, Fair value, Impairment and Other expenses	14	<b><u>(3.073.723)</u></b>	<u>(4.567.952)</u>
<b>Operating profit</b>		<b>1.282.787</b>	3.560.129
Finance costs	16	<b><u>(36.163)</u></b>	<u>(319.829)</u>
<b>Net profit for the year</b>		<b>1.246.624</b>	3.240.300
<b>Other comprehensive income</b>		<b><u>-</u></b>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b><u><u>1.246.624</u></u></b>	<u><u>3.240.300</u></u>

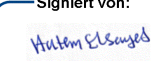
The notes on pages 32 to 77 form an integral part of these separate financial statements.

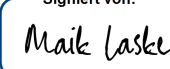
INCREDULOUS LABS LIMITED

STATEMENT OF FINANCIAL POSITION  
31 December 2024

	Note	2024 US\$	2023 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	17	7.523.252	9.113.060
Investments in subsidiaries	18	16.338	16.338
		7.539.590	9.129.398
<b>Current assets</b>			
Trade and other receivables	19	5.028.697	4.033.727
Financial assets at fair value through profit or loss	20	9.539.477	8.926.351
Cash at bank	21	9.704	10.089
		14.577.878	12.970.167
<b>Total assets</b>		22.117.468	22.099.565
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	22	1.427	1.427
Retained earnings		9.980.174	8.733.550
<b>Total equity</b>		9.981.601	8.734.977
<b>Current liabilities</b>			
Trade and other payables	24	12.135.867	13.364.588
		12.135.867	13.364.588
<b>Total equity and liabilities</b>		22.117.468	22.099.565

On 26 August 2025 the Board of Directors of Incredible Labs Limited authorised these separate financial statements for issue.

Signiert von:  
  
.....  
Hatem Magdy Elsayed  
Director

Signiert von:  
  
.....  
Maik Laske  
Director

The notes on pages 32 to 77 form an integral part of these separate financial statements.

## INCREDULOUS LABS LIMITED

### STATEMENT OF CHANGES IN EQUITY

31 December 2024

	Share capital US\$	Retained earnings US\$	Total US\$
<b>Balance at 1 January 2023 as previously reported</b>	<b>1.427</b>	<b>5.493.250</b>	<b>5.494.677</b>
<b>Balance at 1 January 2023</b>	<b>1.427</b>	<b>5.493.250</b>	<b>5.494.677</b>
Net profit for the year	-	3.240.300	3.240.300
<b>Balance at 31 December 2023/ 1 January 2024</b>	<b>1.427</b>	<b>8.733.550</b>	<b>8.734.977</b>
Net profit for the year	-	1.246.624	1.246.624
<b>Balance at 31 December 2024</b>	<b>1.427</b>	<b>9.980.174</b>	<b>9.981.601</b>

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 32 to 77 form an integral part of these separate financial statements.



# INCREDULOUS LABS LIMITED

## CASH FLOW STATEMENT

31 December 2024

	Note	2024 US\$	2023 US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>1.246.624</b>	3.240.300
Adjustments for:			
Unrealised exchange profit		<b>(337.196)</b>	(67.431)
Profit from the sale of financial assets at fair value through profit or loss		-	(573.154)
Profit from the sale of intangible assets		<b>(2.482.200)</b>	(289.835)
Fair value gains on financial assets at fair value through profit or loss		<b>(392.418)</b>	(4.741.513)
Impairment charge - investments in subsidiaries	18	-	99
Impairment charge - intangible assets	17	<b>1.673.683</b>	1.053.947
		<b>(291.507)</b>	(1.377.587)
<b>Changes in working capital:</b>			
(Increase)/decrease in trade and other receivables		<b>(994.970)</b>	1.583.721
(Increase)/decrease in financial assets at fair value through profit or loss		<b>(220.708)</b>	736.002
Decrease in trade and other payables		<b>(1.228.721)</b>	(402.880)
<b>Cash (used in)/generated from operations</b>		<b>(2.735.906)</b>	539.256
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of intangible assets	17	<b>(476.768)</b>	(3.699.953)
Proceeds from disposal of intangible assets		<b>2.875.093</b>	3.088.953
<b>Net cash generated from/(used in) investing activities</b>		<b>2.398.325</b>	(611.000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unrealised exchange profit		<b>337.196</b>	67.431
<b>Net cash generated from financing activities</b>		<b>337.196</b>	67.431
<b>Net decrease in cash and cash equivalents</b>		<b>(385)</b>	(4.313)
Cash and cash equivalents at beginning of the year		<b>10.089</b>	14.402
<b>Cash and cash equivalents at end of the year</b>	<b>21</b>	<b>9.704</b>	10.089

The notes on pages 32 to 77 form an integral part of these separate financial statements.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 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 2022–2024, 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 2024

### 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

#### Nature and Discovery of Misappropriation of funds

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 2024

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

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 2024

### 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 2024

### 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 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 advisor 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### **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 have 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.



# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 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 the purported purchase agreement, the purchase was ultimately payable once the Project 9 tokens became unlocked, which was expected forseen 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.

##### 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

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

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.

#### 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

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

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

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

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

#### 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;
- Transaction cycle controls;

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

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

- 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 2024

### 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

31 December 2024

### 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 2024. 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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 2024

### 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

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 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 2024

### 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 2024

### 8. Financial risk management

#### Financial and other key risk factors

The Company is exposed to market price risk, operational 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 its fellow subsidiary and parent 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 2024

### 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 2024

### 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 8. Financial risk management (continued)

#### 8.2 Credit risk (continued)

(ii) Impairment of financial assets (continued)

##### 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.

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.

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
31 December 2024

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	
	2024	2023	2024	2023
	US\$	US\$	US\$	US\$
<b>Financial assets</b>				
Cash and cash equivalents	9.704	10.089	10.089	10.089
Fair value through profit or loss	4.071.089	4.071.089	9.539.477	8.926.351
	<u>4.080.793</u>	<u>4.081.178</u>	<u>9.549.566</u>	<u>8.936.440</u>

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 2024

### 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

31 December 2024

### 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 2024

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets measured at fair value</b>				
<b>Financial assets</b> (Note 20)				
At fair value through profit or loss	-	-	9,539,477	9,539,477
<b>Total</b>	<b>-</b>	<b>-</b>	<b>9,539,477</b>	<b>9,539,477</b>

#### 31 December 2023

	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Assets measured at fair value</b>				
<b>Financial assets</b> (Note 20)				
At fair value through profit or loss	-	-	8,926,351	8,926,351
<b>Total</b>	<b>-</b>	<b>-</b>	<b>8,926,351</b>	<b>8,926,351</b>

INCREDULOUS LABS LIMITED

NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
31 December 2024

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	8.926.351	4.347.686	13.274.037
Total gains or losses: in profit or loss	392.418	4.741.513	5.133.931
Purchases	220.708	-	220.708
Sales/Derecognition	-	(162.848)	(162.848)
Balance at 31 December	9.539.477	8.926.351	18.465.828

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 10. Fair value measurement (continued)

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

<u>Description</u>	<u>Fair value at 31 December 2024 US\$</u>	<u>Valuation technique</u>	<u>Unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of unobservable inputs to fair values</u>
Permanent Ventures, L.P.	666.336	NAV- performance approach	Post-money valuation performance/Weighted NAV components per investment.	Performance multipliers across portfolio positions: from ~86,7% to ~376,1%. eighted average NAV performance since last reference date: 206,24%.	Higher post-money valuations, higher token market prices, or stronger social media activity > increase estimated NAV and thus fair value./Weaker valuations, lower token prices, or lack of market events, reduce NAV and fair value.
Project 10	2.207.821	Market comparison approach	Sector trend/Qualitative trend score/Trend analysis/TVL	50%/0%/50%/0%	Weaker valuations, lower token prices, or lack of market events- reduce NAV and fair value.Valuation capped at max 5x post-money cap, despite a later contract implying higher m.cap, reflecting conservatism.
Light Protocol	1.854.733	Market comparison approach	Sector trend/Qualitative trend/TVL	50%/50%/0%	A higher sector trend score or positive peer benchmark movement increases the FV. Stronger qualitative assessment (project progress, financing, adoption, social media activity) increases the FV.
Panoptic	2.196.298	Market comparison approach	Sector trend/Qualitative basis/Qualitative trend score- Company also holds a warrant for future project-specific token acquisition; as of 31.12.2024, not valued (exercise price not determined).	50%/0%50%	Higher sector trend or qualitative trend scores increase FV; lower scores reduce FV.



# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 10. Fair value measurement (continued)

<u>Description</u>	<u>Fair value at Valuation</u> <u>31 December technique</u> <u>2023</u> <u>US\$</u>	<u>Unobservable 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	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 echange 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 immaterial.
Project 10	2.544.277 Market comparison approach	Sector trend/Qualitative trend score/prudence capped post-money valuation 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 ( a 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 immaterial.

## INCREDULOUS LABS LIMITED

### NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

#### 10. Fair value measurement (continued)

<u>Description</u>	<u>Fair value at 31 December 2023</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 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 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 available. Potential TGE token conversion, equity conversion, or repayment, with probability weightings.	Probability of token issuance, probability of equity financing, timing to maturity, assumed a 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 immaterial.
Panoptic	2.693.888	Market comparison approach	Sector trend/Qualitative basis/Qualitative trend score (m.cap funding round dated 31/08/2023)	40%/20%/40%	Higher sector trend or qualitative trend scores increase FV; lower scores reduce FV.

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 2024

### 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. PY errors retrospectively corrected in the Financial Statements for 2023- Dividend and other corrections

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 its comparative figures for the year ended 31 December 2022 have been restated in the respective 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.

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. Included in these corrections was once for a dividend accounted for 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, and as per 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

	2024 US\$	2023 US\$
Strategic advisory services- blockchain strategy- cash consideration	-	22.500
Strategic advisory services- blockchain strategy- token consideration	<u>229.179</u>	<u>-</u>
<b>Total revenue</b>	<u><b>229.179</b></u>	<u><b>22.500</b></u>
	<u><b>229.179</b></u>	<u><b>22.500</b></u>

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 12. Revenue (continued)

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 2024, 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 2024, 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.

Significant contracts effected during the year:

During 2021, the Company entered into an Advisory Agreement with Pendulum Network's legal entity., a company incorporated in England and Wales. Under the terms of the agreement, the Company was appointed as advisor to Pendulum in respect of the development of a blockchain-based project, including advisory, marketing, legal, and tokenization services. As consideration for these services, the Company is entitled to 5,5% of all future tokens issued by Pendulum in connection with the project, to be allocated at the time of the token generation event via an immutable smart contract. By the end of the year, the Company received the vested tokens and recognised revenue amounting to US\$229.179 measured at the fair value of the tokens at the date of receipt.

### 13. Operating Income – Gains on disposals and Other income

	2024 US\$	2023 US\$
Exchange profit	351.902	375.637
Staking and other income	63.774	51.796
Profit from sale of financial assets at fair value through profit or loss	-	573.154
Profit from sales of intangible assets	2.484.302	804.636
Fair value gains on financial assets at fair value through profit or loss	1.226.464	6.351.754
Sundry operating income	65.871	-
Waiver of payables	30.555	63.819
	<b>4.222.868</b>	<b>8.220.796</b>

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

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

	2024 US\$	2023 US\$
Specific bad debts written off	-	530.110
Loss from sales of intangible assets	2.102	514.801
Fair value losses on financial assets at fair value through profit or loss	834.046	1.610.241
Impairment charge - intangible assets	1.673.683	1.053.947
Engineering and development services	-	269.688
Rent	293	-
Municipality taxes	553	-
Computer software	5.372	5.521
Auditors' remuneration	124.668	69.960
Accounting fees	108.396	40.767
Legal and professional	59.673	87.998
Other professional fees	98.618	26.298
Fines	-	4.556
Commissions and performance fees	132.904	354.065
Consulting services	16.000	-
Sundry expenses	17.415	-
	<b>3.073.723</b>	<b>4.567.952</b>

### 15. Staff costs

	2024 US\$	2023 US\$
Salaries	95.537	115.116
	<b>95.537</b>	<b>115.116</b>
Average number of employees (including Directors in their executive capacity)	-	1

### 16. Finance costs

	2024 US\$	2023 US\$
Net foreign exchange losses	30.487	308.206
Sundry finance expenses	5.676	11.623
<b>Finance costs</b>	<b>36.163</b>	<b>319.829</b>

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 17. Intangible assets

	<b>Other intangibles- Digital assets(Delivered and pre launch-token rights/SAFTs, warrants/other rights) US\$</b>
<b>Cost</b>	
Balance at 1 January 2023	9.266.172
Additions	3.699.953
Disposals	(2.799.118)
Impairment charge	(1.053.947)
<b>Balance at 31 December 2023/ 1 January 2024</b>	<b>9.113.060</b>
Additions	476.768
Disposals	(392.893)
Impairment charge	(1.673.683)
<b>Balance at 31 December 2024</b>	<b>7.523.252</b>
<b>Net book amount</b>	
<b>Balance at 31 December 2024</b>	<b>7.523.252</b>
<b>Balance at 31 December 2023</b>	<b>9.113.060</b>

### Impairment losses:

During 2023 and 2024, 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 amounts were 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:

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 2024, 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.

-Reactive Labs (BKD/Mero/TLX) – Level 1:

At 31 December 2024, the Company held token rights and/or tokens delivered under a SAFT agreement with Mero, with a carrying value of US\$22.755 (2023: US\$1.000.000). The recoverable amount was determined using the fair value less costs of disposal method (FVLCD) based on the quoted market price of US \$0,0946 per token at 23:59 UTC on 31 December 2024, 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 2024

### 17. Intangible assets (continued)

-Pica Project – Level 1:

At 31 December 2023, the Company held token rights and/or tokens delivered under several agreements in respect of the Pica project, with carrying value of US\$7.380 (2023: US\$162.405). The recoverable amount was determined using the fair value less costs of disposal method (FVLCD) based on the quoted market price of US \$0,0003 per token at 23:59 UTC on 31 December 2024, 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. During 2024, the Company realised a net profit on disposal of US\$488.982.

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

-Project 8 – Level 3:

At 31 December 2024, the Company held a structured participation in several funding arrangements ("syndications") organised by its subsidiary, through which the Company contributed funds with Project 8, with a carrying value of US\$441.004 (2023: US\$800.200). Fair value of US\$441.004 was determined by an external, independent valuer using a market approach that incorporated comparable peer group token performance, benchmark indices and qualitative assessments of project progress.

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:

-Project 4 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 date of audit report, 81.145 tokens remained unvested in the vesting contract or had been sent to unknown addresses during 2024. The delivered portion of tokens in 2024 (17.890 tokens) was sold during the year, resulting in a recognised profit on disposal of US\$9.974. As of 31 December 2024, the Company is not entitled to receive any another tokens.

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

-Project 9 tokens: The Company is entitled to 1.000.000 tokens, 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. During 2024, and prior to the network launch, the Company sold 200.400.000 tokens, 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.

-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:

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 17. Intangible assets (continued)

-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.

#### Commitments:

The Company had no material contractual commitments to acquire additional intangible assets at 31 December 2024.

#### Custody, control of crypto assets and other matters:

As at 31 December 2024, the Company held crypto assets under a Self-custody model (mainly):

-Approximately 99.5 % of holdings were secured in Company-controlled wallets as at 31 December 2024.

-Third-party custodians/exchanges (the "Custodians"): approximately 0,5% of the Company's crypto assets were maintained with external service providers as at 31 December 2024 (including the cryptocurrency exchanges Kraken /MEXC). 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. Until migration of all legacy-wallet assets is completed, the auditor is unable to obtain sufficient appropriate audit evidence over the balances remaining in those specific wallets. This limitation does not extend to any other crypto asset balances of the Company.

Restrictions and present access. At year-end:

- No significant restrictions and present access is identified.

#### Significant agreements entered into:

-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.



# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 17. Intangible assets (continued)

-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.

-The Company had recognised an intangible asset of a significant 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 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.

-As at 31 December 2024, the Company held 4.307.286 \$M tokens, with a carrying value of US\$4.296.500.

-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, and prior to the network launch, the Company sold 200.400.000, realising a profit on disposal of US\$1.449.995. As at 31 December 2024, the Company held 88.067.827 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 2024

### 18. Investments in subsidiaries

	2024 US\$	2023 US\$
Balance at 1 January	16.338	16.437
Impairment charge	-	(99)
<b>Balance at 31 December</b>	<b>16.338</b>	<b>16.338</b>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2024 Holding %	2023 Holding %	2024 US\$	2023 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	1
					<b>16.338</b>	<b>16.338</b>

### 19. Trade and other receivables

	2024 US\$	2023 US\$
Trade receivables	3.531.550	2.589.651
Receivables from own subsidiaries (Note 25.2)	1.468.982	1.417.310
Refundable VAT	28.165	26.766
	<b>5.028.697</b>	<b>4.033.727</b>

Included in trade receivables is an amount of US\$3.391.271 (2022: US\$2.539.651) 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 2024

### 20. Financial assets at fair value through profit or loss

	2024 US\$	2023 US\$
Balance at 1 January	8.926.351	4.347.686
Additions	220.708	-
Disposals	-	(162.848)
Change in fair value ( Net realised/unrealised movement)	<u>392.418</u>	<u>4.741.513</u>
<b>Balance at 31 December</b>	<b><u>9.539.477</u></b>	<b><u>8.926.351</u></b>

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. As at 31 December 2024, based on an independent expert valuation report, the Company's total entitlement to the investment was valued at US\$2,207,821.

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 2024, based on an independent expert valuation report, the investment was valued at US\$672.466.

During 2022, the Company entered into two Simple Agreement 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 2024, based on an independent expert valuation report, the equity interest held in Light Protocol 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 to 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\$4.5 million financing round led by Gumi Cryptos Capital Funds (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's blockchain network. The warrants were issued without upfront cash consideration. As at 31 December 2024, based on an independent expert valuation report, the 869,565 shares held in Panoptic's legal entity, were valued at US\$2.196.298.

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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 21. Cash at bank

Cash balances are analysed as follows:

	2024 US\$	2023 US\$
Cash at bank	<u>9.704</u>	<u>10.089</u>
	<b>9.704</b>	<b>10.089</b>

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.

### 22. Share capital

	2024 Number of shares	2024 US\$	2023 Number of shares	2023 US\$
<b>Authorised</b>				
Ordinary shares of €1 each	<u>1.200</u>	<u>1.427</u>	<u>1.200</u>	<u>1.427</u>
<b>Issued and fully paid</b>				
Balance at 1 January	<u>1.200</u>	<u>1.427</u>	<u>1.200</u>	<u>1.427</u>
<b>Balance at 31 December</b>	<u><b>1.200</b></u>	<u><b>1.427</b></u>	<u><b>1.200</b></u>	<u><b>1.427</b></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 2024 are US\$ NIL (2023: 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 2024, the Company had tax losses carried forward amounting to EUR 2.410.801 (2023: EUR 1.044.443). 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 24. Trade and other payables

	2024 US\$	2023 US\$
Payables to parent (Note 25.3)	<b>8.797.300</b>	10.100.903
Accruals	<b>397.888</b>	163.475
Other creditors	<b>76.069</b>	235.600
Payables to fellow subsidiaries (Note 25.3)	<b>2.005.142</b>	2.005.142
Payables to own subsidiaries (Note 25.3)	<b>859.468</b>	859.468
	<b><u>12.135.867</u></b>	<b><u>13.364.588</u></b>

### 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:

	2024 US\$	2023 US\$
Directors' remuneration and other performance fees	<b><u>95.537</u></b>	<b><u>115.116</u></b>

#### 25.2 Receivables from related parties (Note 19)

<u>Name</u>	<u>Nature of transactions</u>	2024 US\$	2023 US\$
AB Labs FZCO	Finance	<b>1.402.321</b>	1.400.620
Advanced Blockchain DMCC	Finance	<b><u>66.661</u></b>	<b><u>16.690</u></b>
		<b><u>1.468.982</u></b>	<b><u>1.417.310</u></b>

#### 25.3 Payables to related parties (Note 24)

<u>Name</u>	<u>Nature of transactions</u>	2024 US\$	2023 US\$
Brain Networks Ltd (subsidiary)	Trade	<b>859.468</b>	859.468
Advanced Blockchain AG (parent)	Finance	<b>8.797.300</b>	10.100.903
nakamo.to GmbH (fellow subsidiary)	Finance	<b><u>2.005.142</u></b>	<b><u>2.005.142</u></b>
		<b><u>11.661.910</u></b>	<b><u>12.965.513</u></b>

### 26. Contingent Liabilities

As at 31 December 2024, 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.

# INCREDULOUS LABS LIMITED

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### 26. Contingent Liabilities (continued)

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.

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 2024.

### 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 18,055,556 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.

As at 31 December 2023, the Company held tokens delivered under several agreement 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.

# INCRECULOUS LABS LIMITED

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## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

31 December 2024

### **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 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 27**

INCREDULOUS LABS LIMITED

COMPUTATION OF CORPORATION TAX  
31 December 2024

Net profit per income statement	Page 28	US\$	US\$ 1,246,624
Add:			
Imputed interest income on intercompany receivables		43,294	
Fair value losses on financial assets at fair value through profit or loss		834,046	
Impairment charge - intangible assets		1,673,683	
Realised foreign exchange loss		15,781	
Unrealised foreign exchange loss		14,706	
			2,581,510
			3,828,134
Less:			
Impairment Loss on Digital Assets – Permanently Lost		405,205	
Fair value gains on financial assets at fair value through profit or loss		1,226,464	
Unrealised foreign exchange profit		351,902	
			(1,983,571)
Chargeable income for the year			1,844,563
			€
Converted into € at US\$ 1,038900 = €1			1,775,496
Loss brought forward			(2,410,801)
Loss carried forward			(635,305)

Calculation of corporation tax	Loss €	Rate %	Total € c	Total US\$
Tax at normal rates:				
Net (loss) as above	(635,305)	12,50	-	-
TAX PAYABLE			-	-

CALCULATION OF TAX LOSSES FOR THE FIVE-YEAR PERIOD

Tax year	2019	2020	2021	2022	2023	2024
	€	€	€	€	€	€
Profits/(losses) for the tax year	-	-	(4,480,399)	3,435,956	(1,366,358)	1,775,496
Gains Offset (€)	-	-	3,435,956	-	731,053	-
- Year			2022		2024	
Gains Offset (€)	-	-	1,044,443	-	-	-
- Year			2024			
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						
Gains Offset (€)	-	-	-	-	-	-
- Year						

Net loss carried forward (635,305)