

Northstake A/S

Højbro Plads 10, 1200 København K
CVR no. 42 81 87 39

Annual report for the financial year 03.11.21 - 31.12.22

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 06.07.23

Payam Samarghandi
Dirigent



Company information etc.	3
Statement by the Executive Board and Board of Directors on the annual report	4
Independent auditor's report	5 - 7
Management's review	8 - 10
Income statement	11
Balance sheet	12 - 13
Statement of changes in equity	14
Notes	15 - 20

The company

Northstake A/S
Højbro Plads 10
1200 København K
Registered office: København
CVR no.: 42 81 87 39
Financial year: 01.01 - 31.12

Executive Board

Jesper Johansen

Board of Directors

Richard Breiter
Jesper Johansen
Hans Henrik Hoffmeyer
Kirstine Damkjær
Claus Nielsen
Payam Samarghandi

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and Board of Directors on the annual report

We have on this day presented the annual report for the financial year 03.11.21 - 31.12.22 for Northstake A/S.

The annual report is presented in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 03.11.21 - 31.12.22.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, July 3, 2023

Executive Board

Jesper Johansen

Board of Directors

Richard Breiter

Jesper Johansen

Hans Henrik Hoffmeyer

Kirstine Damkjær

Claus Nielsen

Payam Samarghandi

To the capital owner of Northstake A/S**Opinion**

We have audited the financial statements of Northstake A/S for the financial year 03.11.21 - 31.12.22, which comprise the income statement, balance sheet, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.22 and of the results of the company's operations for the financial year 03.11.21 - 31.12.22 in accordance with the the Danish Financial Statements Act (Årsregnskabsloven).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Soeborg, Copenhagen, July 3, 2023

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Philip Heick-Poulsen
State Authorized Public Accountant
MNE-no. mne34280

Primary activities

Northstake A/S is a leading institutional-grade crypto-asset staking company that offers regulatory compliant staking solutions simplifying institutional investors' participation in Web3 economies.

Northstake A/S provides easily accessible pathways for institutional investors to invest in of Web3 through our proprietary technology platform that supports top blockchain networks and protocols, offering a streamlined approach to staking with known counterparty risk and legal exposure.

Northstake A/S actively collaborates with local and global regulatory agencies, holding a Virtual Asset Service Provider (VASP) registration. We handle and stake all client funds in full compliance with current and future domestic and EU regulation, including EU AMLD5 and MiCA (Markets in Crypto Assets). We ensure verified source of funds and maintain strict segregation of assets to ensure regulatory compliance.

Northstake A/S incorporates an insured multi-party computation (MPC) infrastructure with hardware isolation into its platform. This integration forms a multi-layer security model that ensures the safety of funds in custodial staking products and the custody of digital assets.

Development in activities and financial affairs

Development in activities

Northstake A/S built the first version of its platform and received confirmation of its Virtual Asset Service Provider (VASP) registration with the Danish FSA within the first 3 months of operations.

During first half of 2022, Northstake was able to launch its products and services successfully, which led to revenue generation within the first 3 months of operation.

Northstake A/S was able to take advantage of the favorable market sentiment and conditions leading up to the Terra Luna crash in beginning of May 2022, by securing revenue before the crash. In addition, we avoided any direct exposure from Terra Luna, given the nature of our products and business model, which did not include any UST exposure.

We continued to invest in building out our regulatory compliant multi-chain staking platform and integrated this to Fireblocks (MPC-CMP wallet), Chainalysis (blockchain analytics) and Sumsb (KYC/KYC/AML). Today it support +15 proof-of-stake assets and we continue to develop crypto staking products.

We further invested in partnerships with Januar and BCB group as well as Skynet Trading to deliver a range of revenue generating services including OTC trading, algorithmic trading, custodial market making services for crypto and blockchain projects.

Northstake is onboarded on several centralized exchanges (Kraken, Coinbase, Binance, a.o.), but we do not assume any counterparty risk and have not had exposure to any of the major events during 2022, including a.o. FTX in November of 2022. Northstake assumes no risk for client's assets trading on exchanges and we only use Cold Wallets, such as Fireblocks, for our own assets, which limits our exposure to major events, such as FTX.

Northstake successfully achieved its ISAE3402 type 1 audit towards the end of the fiscal year. At Northstake, our unwavering commitment to managing information security risks is essential to maintaining the confidentiality, integrity, and availability of our information and systems.

Our risk assessment and management procedures follow the ISO27001 and ISO27005 standards, where we continuously assess security risks and manage them effectively and closely.

Financial affairs

Northstake managed, despite a general market downturn during the first half of the fiscal year, to generate a gross loss of DKK -398,821.

The income statement for the period 03.11.21 - 31.12.22 shows a loss of DKK -5,512,932.

This was among other driven by considerably lower prices on crypto assets as well as upfront investments in the platform design, development, and engineering.

The market downturn following the Terra Luna crash significantly impacted our revenue generation, as we saw crypto prices reduced by up to +95%, however, during the same period the asset volume grew considerably thus partially offsetting the impact.

Despite the bear market conditions and our investments in the platform, Northstake has shown that our core business model has a clear path to profitable growth as well as considerable growth potential during more favorable market conditions.

Two factors help scale our business model, which is a) the asset volume and b) price development of the staked crypto asset.

The management did not have earnings expectations for the financial year 03.11.21 - 31.12.22, however the management considers the net loss for the year to be satisfactory.

The balance sheet shows equity of DKK 14,199,945.

Outlook

Our mission is to establish Northstake as the leader in regulatory compliant crypto staking in our chosen markets and despite market turbulence and economic downturns, our asset and trading volumes continues to grow considerably.

Northstake has attracted industry leaders, innovators, and builders, who are uniquely qualified and bring deep industry expertise from financial services, banking, venture capital, crypto, financial regulation, and technology.

This makes us uniquely positioned to capture a disproportionate higher share of the growth opportunities within crypto investments and allocations in EU and UAE markets. We remain committed to our aspiration of simplifying the way investors own a stake in web3 through compliant staking products

The company's investments to expand into UAE setting up a local subsidiary are expected to be fully realised in the coming year and will contribute to the result for the year.

Market risks

We expect to see continued price volatility in crypto markets throughout 2023, while the correlation between equity markets and crypto markets increases, because of accelerated institutional adoption of crypto as an asset class.

Northstake will continue to have exposure to crypto asset price volatility, as one core component of our business model is the fee paid in native tokens. Northstake will continue to manage these risks and mature our risk management systems in line with our management policy and framework.

Research and development activities

The research and development activities during this fiscal year has primarily been investments in developing our multi-chain staking platform totaling DKK -2,795,000. This has negatively impacted the result for the fiscal year, however, we do expect technology and platform development investments to be significantly reduced during next fiscal year, although continuous improvement and integration on our platform will be needed.

Subsequent events

No important events have occurred after the end of the financial year.

ASSETS		31.12.22
		DKK
Note		
	Deposits	39,645
	Total investments	39,645
	Total non-current assets	39,645
	Manufactured goods and goods for resale	213,497
	Total inventories	213,497
	Trade receivables	243,475
	Deferred tax asset	920,121
	Income tax receivable	615,114
	Other receivables	209,070
	Prepayments	317,983
	Total receivables	2,305,763
	Cash	13,566,522
	Total current assets	16,085,782
	Total assets	16,125,427

EQUITY AND LIABILITIES

	31.12.22
	DKK
Note	
Share capital	925,864
Share premium	18,787,013
Retained earnings	-5,512,932
Total equity	14,199,945
Prepayments received from customers	978,998
Trade payables	408,753
Other payables	537,731
Total short-term payables	1,925,482
Total payables	1,925,482
Total equity and liabilities	16,125,427

2 Contingent liabilities

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings	Total equity
Statement of changes in equity for 03.11.21 - 31.12.22				
Capital contributed on establishment	40,000	60,000	0	100,000
Capital increase	885,864	18,727,013	0	19,612,877
Net profit/loss for the year	0	0	-5,512,932	-5,512,932
Balance as at 31.12.22	925,864	18,787,013	-5,512,932	14,199,945

03.11.21
31.12.22
DKK

1. Staff costs

Wages and salaries	5,751,304
Pensions	120,000
Other social security costs	31,904
Other staff costs	704,603
Total	6,607,811
Average number of employees during the year	5

2. Contingent liabilities

Other contingent liabilities

A subcontractor has instituted legal proceedings against the company with a claim of DKK 180k. The management of the company is of the opinion that the company has acted in accordance with the applicable regulations in the area.

3. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

No comparative figures have been provided as this is the company's first financial year.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

3. Accounting policies - continued -**INCOME STATEMENT****Gross loss**

Gross loss comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of services is recognised in the income statement as delivery takes place (delivery method). Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

3. Accounting policies - continued -

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

3. Accounting policies - continued -

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank account.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

3. Accounting policies - continued -

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.