RANMARINE TECHNOLOGY B.V.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Your Vision Our Focus

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of
RanMarine Technology B.V.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of RanMarine Technology B.V. (the "Company") as of December 31, 2023 and 2022 and the related consolidated statements of operations and comprehensive loss, changes in shareholders' deficit, and cash flows for each of the two years in the period ended December 31, 2023 and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023 and 2022 the consolidated results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 of the notes to consolidated financial statements, the Company has suffered recurring losses from operations since inception, has an accumulated deficit, and has insufficient working capital to fund future operations each of which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Turner, Stone & Company, L.L.P.

We have served as the Company's auditor since 2022.

Dallas, Texas
July 2, 2024

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INAA GROUP

INTERNATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS

CONSOLIDATED FINANCIAL STATEMENTS

RanMarine Technology B.V.
Consolidated Balance Sheets
As of December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents (Note 4)	€ 36,603	€ 448
Accounts receivable (Note 5)	95,200	124,814
Other receivables (Note 6)	49,860	292,373
Inventory (Note 7)	112,575	46,785
Deferred IPO costs (Note 8)	1,098,273	-
	1,392,511	464,420
Non-current assets		
Property, plant and equipment net (Note 9)	39,080	10,922
Right of use asset (Note 10)	787,268	191,966
Intangible assets (Note 12)	1,403,552	964,109
	2,229,900	1,166,997
Total assets	€ 3,622,411	€ 1,631,417
Liabilities and Shareholders' Deficit		
Current liabilities		
Bank overdraft	€ -	€ 108,299
Trade payables (Note 13)	1,001,588	473,028
Derivative liabilities (Note 14)	8,606,000	3,675,787
Loans and liabilities to related parties (Note 15)	769,052	145,100
Taxes and social securities payable (Note 16)	144,569	175,308
Current portion of lease liability (Note 10)	159,184	63,027
Accrued liabilities (Note 17)	954,125	182,207
	11,634,518	4,822,756
Non-current liabilities		
Lease liability, net of current portion (Note 10)	640,445	133,705
	640,445	133,705
Total liabilities	12,274,963	4,956,461
Commitments and contingencies (Note 25)		
Shareholders' deficit		
Common stock; €0.01 par value per share; 100,000,000 shares authorized; 6,552,558 shares issued and outstanding (Note 18)	65,526	65,526
Additional paid in capital	626,894	626,894
Legal reserves (Note 18)	1,374,930	935,487
Accumulated deficit	(10,719,902)	(4,952,951)
Total shareholders' deficit	(8,652,552)	(3,325,044)
Total liabilities and shareholders' deficit	€ 3,622,411	€ 1,631,417

The accompanying notes are an integral part of these consolidated financial statements.

RanMarine Technology B.V.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended December 31, 2023 and 2022

	2023	2022
Sales (Note 19)	€ 649,880	€ 432,427
Cost of sales	364,820	236,531
Gross profit	285,060	195,896
Operating expenses (Note 20)		
Research and development (Note 20.1)	141,804	143,806
Sales and marketing (Note 20.2)	605,120	203,277
General and administrative (Note 20.3)	2,654,723	1,067,986
Total operating expenses	3,401,647	1,415,069
Operating loss	(3,116,587)	(1,219,173)
Other expenses, net (Notes 21 and 22)	(2,210,921)	(1,902,870)
Net loss before taxes	(5,327,508)	(3,122,043)
Provision (benefit) for income taxes (Note 11)	-	125,523
Net loss and comprehensive loss	€ (5,327,508)	€ (3,247,566)
Basic loss per ordinary share:	€ (0.81)	€ (0.50)
Weighted average ordinary shares outstanding:	6,552,558	6,552,558

The accompanying notes are an integral part of these consolidated financial statements.

RanMarine Technology B.V.
Consolidated Statements of Changes in Shareholders' Deficit
For the Years Ended December 31, 2023 and 2022

	Common Stock Shares		Common Stock Par Value		Additional Paid-in Capital		Legal Reserves		Accumulated Deficit		Totals
Beginning balance, January 1, 2023	6,552,558	€	65,526	€	626,894	€	935,487	€	(4,952,951)	€	(3,325,044)
Net loss	-		-		-		-		(5,327,508)		(5,327,508)
Legal reserve (Note 18)	-		-		-		439,443		(439,443)		-
Ending balance, December 31, 2023	6,552,558	€	65,526	€	626,894	€	1,374,930	€	(10,719,902)	€	(8,652,552)

	Common Stock Shares		Common Stock Par Value		Additional Paid-in Capital		Legal Reserves		Accumulated Deficit		Totals
Beginning balance, January 1, 2022	6,552,558	€	65,526	€	626,894	€	470,817	€	(1,240,715)	€	(77,478)
Net loss	-		-		-		-		(3,247,566)		(3,247,566)
Legal reserve (Note 18)	-		-		-		464,670		(464,670)		-
Ending balance, December 31, 2022	6,552,558	€	65,526	€	626,894	€	935,487	€	(4,952,951)	€	(3,325,044)

The accompanying notes are an integral part of these consolidated financial statements.

RanMarine Technology B.V.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

For the Year Ended:	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	€ (5,327,508)	€ (3,247,566)
Change in fair value of derivatives liabilities	2,341,845	2,816,150
Depreciation and amortization	261,679	66,513
Accrued advisory services performed by related parties	633,753	68,500
Inventory	(65,790)	(31,845)
Accounts receivable and other receivables	272,127	(359,611)
Deferred IPO costs	(1,098,273)	-
Accrued liabilities	735,649	(372,896)
Trade payables	528,559	419,784
Deferred tax asset	-	125,523
Net cash flow used in operating activities	(1,717,959)	(515,448)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures for property, plant and equipment	(36,000)	(6,176)
Intangible assets	(590,993)	(464,670)
Net cash flow used in investing activities	(626,993)	(470,846)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	(108,299)	108,299
Payments made on lease liability	(89,163)	(60,603)
Advances from derivative liabilities	2,588,369	859,638
Payments made on loans to related parties	(9,800)	(13,400)
Net cash flow provided by financing activities	2,381,107	893,934
Net Cash Flow	36,155	(92,360)
Cash and cash equivalents at beginning of year	448	92,808
Cash and cash equivalents at end of year	€ 36,603	€ 448
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Increase in right-of-use assets via additional capital lease obligations	€ 697,588	€ -

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Corporate Information

RanMarine Technology, B.V. (the "Company") was incorporated in the Netherlands on April 12, 2016. The Company designs and manufactures aquatic drones also known as autonomous surface vessels ("ASV") for the purpose of eliminating water pollution in ports, harbors, canals and other marine and water environments. The Company's corporate offices and manufacturing facility are located in Rotterdam, the Netherlands.

2. Summary of Significant Accounting Policies

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), taking into account the recommendations of the International Financial Reporting Standards Interpretations Committee ("IFRIC")

The accounting principles set out below, unless stated otherwise, have been applied consistently for all periods presented in the accompanying consolidated financial statements.

The Company's fiscal year-end is December 31. The consolidated financial statements' valuations are based on the historical cost unless stated otherwise. The functional and presentation currency of the Company is the Euro.

2.2 Consolidation

The consolidated financial statements include the financial data of RanMarine Technology B.V. and its group companies over which control is exercised. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intragroup receivables and payables, as well as intragroup transactions, finance income and expenses and unrealized results within the Group are eliminated in the preparation of the consolidated financial statements.

The consolidated group companies and the percentage of ownership included in the consolidation:

- RanMarine B.V. (100%)
- RanMarine USA LLC (100%)

2.3 Foreign currency

During the financial year, transactions in foreign currency other than the euro are translated into the relevant functional currency at the exchange rates applying on the transaction date. The exchange differences as a result from the translation are included in the operating results of the period the transactions occurred.

Assets and liabilities that are denominated in foreign currency other than the euro are translated at the exchange rates as at the end of the reporting period; however, there were no such items denominated in a foreign currency at December 31, 2023 and 2022. The profit and loss account items have been translated at average exchange rates. Given the limited scale of foreign activities with a different functional currency, there is no statutory reserve (or cumulative foreign currency translation amounts) for conversion differences at 31 December, 2023 and 2022.

2.4 Significant accounting policies

2.4.1 Current versus non-current classification - Assets and obligations that are classified as current shall mature within one year. Non-current assets and obligations shall mature beyond one year from the consolidated balance sheet date.

2.4.2 Cash and Cash Equivalents - Cash is recognized based on the amount received. Cash equivalents, which are assets that can generally be liquidated in less than 90 days based on convertibility and short-term maturity, are carried at cost. Any bank overdrafts are accounted for based on the amount that must be repaid to the lender. Cash balances may exceed the insured limits from time to time. The Company has not experienced any losses with respect to uninsured balances.

2.4.3 Accounts receivable - Receivables (amounts due from trade debtors and other receivables including prepayments) are initially recognized at cost which is also the fair value. Current receivables, receivables that fall due within one year, are carried at cost unless there is a known significant credit risk. Receivables are reviewed to determine if a reserve needs to be entered for credit losses. If a reserve is deemed necessary, accounts receivable would be carried at cost less the reserve.

2.4.4 Inventory - Inventories are valued at the lower of cost or market, market being net realizable value. Net realizable value is calculated based on the estimated selling price of the product less cost to get the inventory in sellable condition.

The carrying amount of inventories is expensed as inventories are sold and recognized in cost of sales. Write-downs to net realizable value and losses are expensed in the period they occur. Any reversal of write-downs is recognized in the period the reversal occurs. The Company's inventories consisted of raw materials in 2022 and 2023, and also of finished products in 2023. See Note 7 for further details.

2.4.5 Property, plant, and equipment - Property, plant, and equipment are measured at historical cost. They are carried at cost less accumulated depreciation and any impairment value. Depreciation is on a straight-line basis over an estimated useful life given to the asset by management. Useful lives are reviewed periodically for needed changes. All repairs and maintenance costs are expensed when incurred.

Useful lives of property, plant, and equipment

- Plant and machinery- 5 years
- Equipment- 5 years
- Autonomous special vehicles- 5 years

2.4.6Intangible assets - Intangible assets are intellectual property and internally developed information systems with a finite life and area accounted for in accordance with IAS 38 ("Intangible Assets"). The intangible assets acquired are measured at cost less accumulated amortization and impairment. Expenditure for development activities where the research results are applied to a plan or design for the production of new or substantially improved product and processes are capitalized if the product or process is technically and commercially feasible and can be separately identified, if the expenses can be measured reliably and if the Company has sufficient resources to complete the development of the asset. If these criteria are not met, the expenditures are expensed. If the criteria is met, projects will go from the research phase to the development phase if there is a successful build. The capitalized costs comprise the cost of materials, direct labor and the directly attributable proportion of overheads less any subsidy received for such costs. Other development expenditures are recognized in the consolidated statement of operations and comprehensive loss as an expense when incurred. Subsequent expenditure on capitalized intangible assets is recognized in the consolidated statement of operations and comprehensive loss unless it increases the future economic benefits embodied in the specific asset to which it relates. In that case, the costs are capitalized for only the increase in the future economic benefits. Amortization is charged to the consolidated statement of operations and comprehensive loss on a straight-line basis over the estimated useful life of the intangible asset unless such life is indefinite. Other intangible assets are amortized from the date they are available for use. Effective January, 2023, amortization has started. The amortization method and estimated useful lives are assessed annually. Accounting has been done in accordance with IAS 38 ("Intangible Assets").

Useful lives of intangible assets

- Research and development costs- 5 years
- Concessions intellectual property rights- infinitive live

2.4.7Taxes - Taxes are calculated based on the taxable income or loss for the period and the tax laws that have been enacted or substantively enacted as of the reporting period. Taxes consider any non-deductible costs or non-taxable items. Deferred tax assets or tax liabilities are also considered when computing tax. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authority. In case of uncertainties related to income taxes, they are accounted for in accordance with IFRIC 23 ("Uncertainty over Income Tax Treatments") and IAS 12 ("Income taxes") based on the best estimate of those uncertainties.

2.4.7.1A deferred tax is generated when there are temporary differences between assets or liabilities for financial reporting purposes and amounts used for tax purposes. Net operating losses can generate a deferred tax given such losses can be utilized in the future to reduce future taxable income. Tax rates applicable when the deferred tax is expected to reverse are used in the calculation of the deferred tax.

2.4.8Leases - Contracts are reviewed to determine if they contain the elements of a lease. To be a lease, the right of control must be given to the lessee for a specified asset for a given time period for consideration. If the supplier has the right or practical ability to substitute alternative assets during the life of the contract, then the contract is not a lease. The lease liability is calculated by discounting all the lease payments not made at the commencement date by the implicit interest rate in the lease or the incremental borrowing rate. Extension options are included in the determination of the lease liability to the extent that it is reasonably certain that those options will be exercised. The lease liability and the right of use asset are the same value at the start of the lease. The right-of-use assets are depreciated on a straight-line basis from the start date of the lease to the end of the lease term.

2.4.9 Financial instruments - A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. These include both non-derivative financial instruments, such as trade and other receivables and payables, and derivative financial instruments, such as certain derivative liabilities arising from the convertible notes and warrants included within the accompanying consolidated balance sheets as of December 31, 2023 and 2022.

Trade payables, tax, remuneration, social security, other accounts payable including liability accruals are valued at nominal value. Supplier agreements or amounts due to statutory authorities determine costs. Management estimates amounts for accrued expenses. Financial assets and financial liabilities are recognized at their fair value initially. Transaction expenses for assets and liabilities are also included in the initial fair value measurement. Using the effective interest rate method, financial liabilities are measured at amortized cost after the initial recognition.

2.4.10 Provisions for liabilities and charges - Provisions are liabilities for uncertain times and amounts. Provisions are established if an obligation presently exists, there is a probable outflow of resources to cover the obligation and the obligation can be reasonably estimated. The provision represents the best estimate to settle the obligation. For both 2023 and 2022, there were no uncertain liabilities that required a provision.

2.4.11 Revenue - Contract revenue and other revenues exclude value added tax and is after discounts. Contract revenue recognition will take place in accordance with IFRS 15 (“Revenue from Contracts with Customers”); when there is an identifiable contract with a customer, the contract stipulates performance obligations, a price has been established, the price has been allocated to the contract performance obligations, then the specific revenue associated with the specific obligation completion is recognized. For the majority of the Company’s contracts, the terms generally consist of a single performance obligation, delivery of our products, the ASVs. We recognize revenue at delivery as risk of loss and control have been transferred to the customer at the time the product is picked up for delivery. Revenue measurement is the fair value of the amount received or due. The revenue represents product and / or service amounts receivable generated during the normal course of business. Revenue is recognized net of deductions for returns, allowances, and rebates, which the Company has assessed as not significant during each of the fiscal years in the accompanying consolidated financial statements. A liability will be established within the consolidated balance sheet when the customer has prepaid for a good or service. A receivable will be established where the contract performance obligation has been met but payment has not been received.

The Company has two other sources of revenue that have yet to become significant. In the late 2022, the Company began requiring with every ASV sold, a subscription to RanMarine Connect, which is a software as a service subscription model allowing for web-browser based ASV management, device control, maintenance, etc. The Company sells the subscriptions in varying lengths of time ranging from one year to five years. The subscriptions are charged on a recurring annual basis upon expiration of the initial term and the subscription price is recognized ratably over the subscription period as the performance obligation is met and satisfied. Additionally, beginning in 2023, the Company began leasing its ASVs on a month-to-month basis and such lease amounts received are recognized over the same period as the performance obligation is met and satisfied. Revenue related to the subscriptions and the leases approximated €35,000 and €27,000 respectively during 2023. During 2022 there was approximately €8,000 revenue recognized related to the subscriptions and no revenue recognized related to the leases.

2.4.12 Segment reporting - The Company identifies its operating segments in accordance with IFRS 8, ("Operating Segments"). Operating segments are defined as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker, ore decision-making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker, its Chief Executive Officer, manages the Company's operations on a combined basis for the purposes of allocating resources. Accordingly, the Company has determined it operates and manages its business in a single reporting operating segment.

2.4.13 Derivative liabilities - The Company evaluates and accounts for conversion options embedded in its convertible notes in accordance with IFRS 9, "Financial Instruments." Under IFRS 9, the Company has elected to account for the embedded features within it convertible notes at fair value. In accordance with this accounting method, any subsequent increases or decreases in fair value are recorded as a change in fair value of derivative liabilities and are included as a component of other income (loss) in the accompanying consolidated statements of operations and comprehensive loss. In addition to convertible notes, the Company also issues warrants to purchase shares of Company stock. The warrants are accounted for at fair value as of the date of issuance and again at each year end using a Black Scholes option-pricing model. Fair value adjustments to the warrant liability are recognized in the change in fair value of derivative liabilities line item within other income (loss) in the accompanying statements of operations and comprehensive loss.

2.4.14 Impairment of non-financial assets - Management assesses whether an asset may be impaired at each reporting date. If any indication of impairment exists, or when testing is required, the recoverable amount will be determined. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses including impairment on inventories are recognized in the consolidated statement of operations and comprehensive loss. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's cash generating units ("CGU") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To estimate cash flow projections beyond periods covered by the most recent budgets/forecasts, the Company extrapolates cash flow projections in the budget using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. In any case, this growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the Company operates, or for the market in which the asset is used. For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount.

2.4.15 Loss per share - Basic loss per share are calculated in accordance with IAS 33 ("Earnings per Share") based on earnings (loss) attributable to the Company's shareholders and the weighted average number of shares outstanding during the period. The 6,552,558 outstanding shares as of December 31, 2023 (see Note 18), represent the shares issued and outstanding by the Company. This presentation is consistent with the principles in IAS 33.64, which requires calculation of basic and diluted earnings per share for all periods presented to be adjusted retrospectively if changes occur to the capital structure after the reporting period but before the consolidated financial statements are authorized for issue.

2.4.16New and revised standards issued, but not yet effective - The Company is currently evaluating the effects of the new or revised accounting standards listed below but does not expect any material effects.

●Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1)
●Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
●Lease Liability in a Sale and Leaseback (Amendments to IFRS16)
●Lack of Exchangeability (Amendments to IAS 21)

3. Significant Accounting Judgments, Assumptions, and Estimates

3.1 Going Concern - The accompanying consolidated financial statements are prepared under the assumption that the business will continue as a going concern. As an early-stage company, we have not yet reached the critical sales volume and are heavily relying on research and development ("R&D") grants.

Our ability to continue as a going concern and realize our assets and discharge our liabilities in the normal course of business is dependent upon closing timely additional sales orders and the ability to raise additional debt or equity financing, as required. There are various risks and uncertainties affecting our future financial position and its performance including, but not limited to:

- The market acceptance and rate of commercialization of our product offerings;
- Ability to successfully execute our business plan;
- Ability to raise additional capital at acceptable terms;
- General local and global economic conditions.

Our strategy to mitigate these material risks and uncertainties is to timely execute a business plan aimed at continued focus on revenue growth, product development and innovation, improving overall gross profit, managing operating expenses and working capital requirements, and securing additional capital, as needed.

Failure to implement our business plan could have a material adverse effect on our consolidated financial condition and/or financial performance. There is no assurance that we will be able to raise additional capital as it is required in the future. Accordingly, there are material risks and uncertainties that may cast significant doubt about our ability to continue as a going concern.

These consolidated financial statements do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis was not appropriate.

3.2 Pension liability - Liabilities and expenses for employee benefits generally are recognized in the period in which the \services are rendered. RanMarine's pension is part of the PMT pension fund. This fund is the Metal and Engineering Industry Pension Fund. Contributions are expensed as the obligation to make the payments is incurred.

3.3 Income taxes - Income tax expense includes current and deferred taxes. Current tax assets and liabilities are obligations or claims for the current and prior periods to be recovered from (or paid to) taxation authorities that are still outstanding at the end of the reporting period. Current tax is computed on the basis of tax profit which differs from net profit. Income taxes are calculated using tax rates and laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized based on temporary differences between the carrying amount and the tax basis of assets and liabilities. Any change in the net amount of deferred tax assets and liabilities is included in profit or loss of the respective period in which the change occurs. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws that are expected to apply to taxable profit for the periods in which the assets and liabilities will be recovered or settled. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deferred tax assets can be utilized. Deferred tax assets and liabilities are not discounted.

3.4 Development costs - The Company capitalizes costs for product development projects. Management makes judgments on the viability of the project and the projected cost of full development. RanMarine management determines when a new product will be released to the market which is when the costs are capitalized. Management must also judge the expected revenue to be earned. The carrying amount of capitalized development costs was € 1,374,930 as of December 31, 2023 (2022: €935,487).

3.5 Provision for expected credit losses of trade receivables - The Company assesses and measures credit losses in accordance with IFRS 9 (“Financial Instruments”). There is currently no provision for credit losses on the consolidated balance sheets. The Company has not experienced any non-payment from a customer in its history, as it generally requires an upfront payment from the customer.

3.6 Provision for warranty - The Company offers a 1-year warranty for customers outside the EU and a two-year warranty for customers inside the EU. Currently, there are no warranty provisions on the consolidated balance sheets as management has forecasted it is not material prospectively for each of the fiscal years in the accompanying consolidated financial statements. In 2023 warranty expenses were € 747 and zero in 2022. It will continue to be evaluated on an annual basis. Soon, warranty expenses will become material and at such time, a warranty provision as percentage of revenue will be recognized.

3.7 Fair value calculations - The Company estimates the fair value of the convertible note payable and the derivative warrant liability (see Note 14) using a probability weighted scenario method, which determines the present value of the conversion and redemption options and weights them based on their probabilities of occurrence. Additionally, the Company utilizes the Black Scholes Model to calculate the value of the warrants that it issues. In using the Black Scholes Model, the Company makes assumptions regarding dividend yield, expected term, volatility and risk-free interest rates.

4. Cash and Cash Equivalents

		2023		2022
Rabobank	€	28,068	€	-
Mechanics Bank		8,536		-
ING Bank		-		18
Cash in transit		(1)		430
Total	€	36,603	€	448

5. Accounts Receivable

The Company carries low trade receivables as the Company generally requires customer deposits before processing orders. The bad debt expense and the allowance for doubtful accounts is zero for both 2023 and 2022. The Company had three customers whose account balance comprised approximately 35%, 26% and 23% of the accounts receivable balance as of December 31, 2023. Another customer's account balance comprised 78% of the accounts receivable balance as of December 31, 2022.

		2023		2022
Accounts receivable	€	95,200	€	124,814
Total	€	95,200	€	124,814

6.Other Receivables

The Company received a grant from the European Commission, European Innovation Council ("EIC") in October 2020 for a total amount of €1,508,296. As of December 31, 2022, the subsidy receivable of €191,475 is the last outstanding amount of this grant and has been received in March 2023. See Note 22 for further details.

		2023		2022
Prepayments	€	7,656	€	45,819
Rent deposit		29,052		11,875
Subsidy		-		191,475
Other receivables		10,819		-
VAT receivable		2,333		43,204
Total	€	49,860	€	292,373

7. Inventory

		2023		2022
Finished products	€	54,000	€	-
Raw materials		58,575		46,785
Total	€	112,575	€	46,785

8.Deferred IPO Costs

As of December 31, 2023, the Company has incurred €1,098,273 of costs related to an initial public offering (“IPO”). These costs are incremental costs that are directly attributable to issuing new shares in accordance with paragraph 37 of IAS 32 (“Transaction Costs to be Deducted from Equity”) and such costs will be recognized in equity in 2024 as a reduction of the total proceeds received by the Company when the Company completes the IPO.

9. Property, Plant and Equipment net

	Plant and machinery	Equipment	Autonomous special vehicles	Total
Purchase price	€ 1,431	€ 7,789	€ -	€ 9,220
Cumulative depreciation	(328)	(1,621)	-	(1,949)
At January 1, 2022	1,103	6,168	-	7,271
Investments	-	6,176	-	6,176
Depreciation	(286)	(2,239)	-	(2,525)
At December 31, 2022	817	10,105		10,922
Investments	-	-	36,000	36,000
Depreciation	(276)	(2,916)	(4,650)	(7,842)
At December 31, 2023	€ 541	€ 7,189	€ 31,350	€ 39,080
Purchase price	€ 1,431	€ 13,965	€ 36,000	€ 51,396
Cumulative depreciation	(890)	(6,776)	(4,650)	(12,316)
At December 31, 2023	€ 541	€ 7,189	€ 31,350	€ 39,080

The autonomous special vehicles in the table above are comprised of four drones, at cost, that are being utilized by the Company to lease to customers on a month to month basis as discussed in Note 2.4.11 above. The drones were placed in service in early May 2023.

10.Leases

In 2023, RanMarine entered into a new lease agreement for the real estate contract of its business premises. This lease is for five years with payments totaling €943,836. The lease began in 2023 and a 4% discount was applied for periods presented. After the initial five-year lease is completed, a clause exists allowing for the automatic renewal of the lease if the tenant or lessor does not give notice of termination. Notice of termination must be made six months before the end of the lease. The renewal option has not been included in the right of use calculations because the Company does not have any current plans to renew the lease.

		2023		2022
Right of use asset to depreciate				
Beginning balance	€	191,966	€	255,954
Additions		857,560		-
Disposals		(159,972)		-
Depreciation		(102,286)		(63,988)
Ending balance	€	787,268	€	191,966
Non-current lease liability				
Beginning balance	€	133,705	€	257,335
Additions		857,560		-
Disposals		(102,473)		-
Payments related to liability		(89,163)		(60,603)
Current lease liability		(159,184)		(63,027)
Ending balance	€	640,445	€	133,705

11. Income Taxes

Deferred tax - Judgments and estimates are made with regard to the ability to utilize net operating losses and other tax credits that can be carried forward against taxable income in future years. Due to the delay in obtaining additional financing, the Company has not been able to execute its business plans yet and concluded that it is not probable that taxable profit will be available for any deferred tax asset amount to be utilized in the near future. Due to this uncertainty, the Company has not recognized any deferred tax asset amount as of December 31, 2023 and 2022, in accordance with IAS 12.

From January 1, 2022 onwards, an indefinite loss carryforward applies in the Netherlands. Yet, losses (both carryforward and carryback) can only be fully deducted up to an amount of €1 million taxable profit. If the profit in a year exceeds €1 million, the losses are only deductible up to 50% of the higher taxable profit minus an amount of €1 million. Hence the Company can utilize its compensable losses as soon it becomes profitable.

The Company has compensable losses from the following years:

	Offsettable losses as of January 1, 2023	Addition in 2023	Offsettable losses as of December 31, 2023
	€	€	€
2016	8,971	-	8,971
2017	113,373	-	113,373
2018	138,599	-	138,599
2019	173,454	-	173,454
2020	402,425	-	402,425
2022	390,292	-	390,292
2023	-	2,118,774	2,118,774
	1,227,114	**2,118,774**	**3,345,888**

12. Intangible Assets

	Research and development costs	Concessions intellectual property rights	Total
Cost or valuation			
At January 1, 2022	€ 470,817	€ 28,622	€ 499,439
Additions	464,670	-	464,670
At December 31, 2022	935,487	28,622	964,109
Additions	590,993	-	590,993
Amortization	(151,550)	-	(151,550)
At December 31, 2023	€ 1,374,930	€ 28,622	€1,403,552

Estimated future amortization as of December 31, 2023 is as follows:

Year ending December 31,	
2024	€ 151,550
2025	311,020
2026	311,020
2027	311,020
2028	159,471
Thereafter	159,471
Total	€ 1,403,552

13. Trade Payables

	2023	**2022**
Trade payables	€ 1,001,588	€ 473,028
Total	€ 1,001,588	€ 473,028

The Company had one vendor whose account balance comprised approximately 14% of the trade payables balance as of December 31, 2023. There was one vendor with balances approximating 10% as of December 31, 2022.

14. Derivative Liabilities

	2023	**2022**
Warrant liabilities	€ 4,044,000	€ 2,635,778
Convertible notes payable	4,562,000	1,040,009
Total	€ 8,606,000	€ 3,675,787

Convertible Notes Payables and Debt Discount (Contra-Debt)

The Company entered into Securities Purchase Agreements (the “Agreements”) with certain third-party creditors and related parties (the “Holders”) whereby the Company issued 20% Original Issue Discount Senior Convertible Promissory Notes (the “Notes”) with an aggregate principal amount (par value) of approximately €4.5 million (the “Principal”), convertible into the Company’s ordinary shares with a par value of €0.01 per share (the “Ordinary Shares”). The Notes are payable on the earlier of: (i) six (6) months from the Issue Date (e.g. August 19, 2022) or (ii) on the date on which the Company consummates a Qualified IPO (as defined in the Agreements) (such date, the “Maturity Date”), or such earlier date as the Notes are required or permitted to be repaid, unless Holder elects to convert the Principal into a certain number of shares of the Company’s Ordinary Shares, and pursuant to the terms of conversion. The Company may prepay the Notes in cash, at any time following the Issue Date and up to the Maturity Date, at a premium of one hundred and five percent (105%) of the face amount of the Note, upon five (5) day prior written notice to Holder.

The Notes are convertible at the Holder's election upon the closing of a Qualified IPO into Ordinary Shares of the Company at a conversion price equal to 100% of the offering price to the public in the Qualified IPO (the "Conversion Price"). The Notes become immediately due and payable upon an Event of Default (as defined in the Agreements).

Due to these embedded features within the Notes, the Company elected to account for the Notes at fair value at inception under IFRS 9, "*Financial Instruments*". Subsequent changes in fair value are recorded as a component of other income (loss) in the Consolidated Statements of Operations.

The Company estimates the fair value of the convertible note payable using a probability weighted scenario method, which determines the present value of the conversion and redemption options and weights them based on their probabilities of occurrence. The fair value of the Notes upon issuance was estimated to be €4,562,000 as of December 31, 2023 (2022: €1,040,009). The face value was € 4,260,131 plus debt discount of €[301,869] as of December 31, 2023 (2022: respectively €1,074,548 and €214,909).

The 20% original discount to the principal amount is included in the carrying value of the Notes. During 2023, the Company recorded a debt discount of €852,026 (2022: €214,909) upon issuance of the Notes for the original issue discount. As a result of electing the fair value option, any direct costs and fees related to the Notes were expensed as incurred. The Company recorded a loss of €1,153,895 (2022: €180,370) related to the change in fair value of the Notes which was recognized in other income (expense) on the Consolidated Statement of Operations as a result of the Company's election of the fair value option.

The following table presents the Notes as of December 31, 2023:

		2023		2022
Face value of the Notes	€	4,260,131	€	1,074,548
Debt discount		(852,026)		(214,909)
Carrying value of the Notes		3,408,105		859,639
Fair value adjustment through earnings		1,153,895		180,370
Fair value of the Notes	€	4,562,000	€	1,040,009

On May 8, 2023, the Company and the relevant noteholders amended the terms of the Notes to extend the Maturity Date to December 31, 2023, and to clarify that Ordinary Shares means American Depositary Shares ("ADS").

The majority of the Convertible Promissory Notes the Company had outstanding as of December 31, 2023 had a maturity date of January 1, 2024. The Company proposed and all of the Convertible Promissory Note holders agreed to extend the maturity date to March 31, 2024, in exchange for a payment, upon IPO, of 5% of the principal value of their Notes in cash. In April, all of the Convertible Promissory Note holders agree to extend the maturity date to April 30, 2024 for additional compensation of 2% of the principal value. The Convertible Promissory Notes are currently in default; however, in June 2024 the Company is seeking the Convertible Promissory Note holders' agreement to extend the maturity date to December 31, 2024. In return, the Company will provide the Convertible Promissory Note holders with additional compensation in the amount of 5% of the principal amount outstanding, payable in ADSs issued within 7 days of the IPO. In addition, the Company, will increase the discount offered to those who convert the full principal value of their Convertible Promissory Notes into RanMarine ADSs at the IPO to a 25% discount off of the IPO price. If the final IPO structure includes one or more warrants, the Convertible Promissory Note holders will receive the same warrant(s) for any principal amount that is converted into RanMarine ADSs. The Company believes that the Convertible Promissory Note holders will agree to the extension as they have done twice before.

Warrant Liabilities

With each Note purchase, the Holder was also issued warrants to purchase up to 40,000 Ordinary Shares of the Company (the "Warrant Shares") for every €100,000 of Note principal (the "Warrants"). Each Warrant is exercisable for a period commencing on the date the Company completes a Qualified IPO and terminating five (5) years after such date at an exercise price of €0.01 per share, subject to customary anti-dilution adjustments. If, at any time after the issuance date of the Warrant, a registration statement covering the resale of the Warrant Shares is not effective, the Holder may exercise the Warrant by means of a cashless exercise.

The Warrants were determined to be liabilities under IAS 32, "*Financial Statements: Presentation.*" as they are puttable to the Company upon the occurrence of a Fundamental Transaction (as defined in the agreements). As such, the Company recorded the Warrants as a liability at fair value recognized in earnings. The Company utilized the Black Scholes Model to calculate the value of these warrants issued during the years ended December 31, 2023 and 2022. The fair value of the Warrants of €4.4 million (2022: €2.5 million) was estimated at the date of issuance using the following weighted average assumptions: dividend yield 0% (2022: 0%); expected term of five years; volatility 45.0% (2022: 37%); and a risk-free interest rate 3.8% (2022: 4.0%). During the year ended December 31, 2023, the Company recorded a loss of €(1,408,222) (2022: €2,635,779) related to the change in fair value of the warrant liability which is recorded in other income (expense) on the Consolidated Statements of Operations.

Transaction costs incurred attributable to the issuance of the Warrants were immediately expensed in accordance with IAS 32.

15. Loans and Liabilities to Related Parties

	2023	2022
Non-interest loans	€ 66,800	€ 76,600
Deferred stock compensation	632,778	17,500
Deferred cash compensation	7,311	51,000
Deferred cost reimbursements	62,163	-
Total	€ 769,052	€ 145,100
Convertible notes payable held by related parties (See note 13)	€ 1,971,591	€ 478,191

The non-interest loans are related to Boundary Holding S.à r.l. and two other shareholders of the Company. There is a loan agreement between Boundary Holding S.à r.l. and the Company that was entered into as of May 27, 2021, for €100,000. The note does not carry interest or a term limit and imputed interest was not recorded as the amount was not significant. RanMarine has paid €67,600 as of December 31, 2023. The remaining amount is related to short-term non-interest bearing loans from two other shareholders with similar terms.

Employees and affiliates (shareholders and board members) were granted American Depositary Shares in 2023, which vest only upon the IPO or after the six-month lock-up period for affiliates. For the related parties a €632,778 accrual has been made.

The deferred cash compensation is related to salary payments paid out in the following year. The deferred costs reimbursements are expenses payments to related parties that have been deferred.

The convertible notes payable held by related parties of €1,971,591 (2022: €478,191) represents the principal value held by shareholders and key insiders.

16. Taxes and Social Securities Payable

		2023		2022
Payroll Tax	€	104,768	€	175,308
Netherlands pension withholding		39,801		-
Total	€	144,569	€	175,308

17. Accrued Liabilities

		2023		2022
Advisors	€	592,809	€	62,721
Deferred revenue		37,565		95,459
Holiday bonus		40,059		24,027
Employee stock compensation		283,692		-
Total	€	954,125	€	182,207

During 2023, employees were granted the right to receive ADSs, which vest only upon the IPO or after the six-month lock-up period.

18. Issued Capital and Reserves

The Company is authorized to issue up to 100,000,000 ordinary shares. The nominal or par value of the shares is €0.01 per share. On December 31, 2023 and 2022, the Company's issued and outstanding shares were 6,552,558 after giving effect to a stock split of 7,029.57 to 1 declared by the Company on December 27, 2022.

The legal reserve of €935,487 as of December 31, 2022 and €1,374,930 as of December 31,2023 are the capitalized R&D costs (see Note 12). Legal reserves are reserves that cannot be distributed to the shareholders. Dutch law requires that the capitalized R&D costs are protected by forming a legal reserve.

19. Sales

		2023		2022
Europe	€	235,086	€	219,653
North America		130,034		207,883
Rest of the world		284,760		4,891
Total	€	649,880	€	432,427

The Company had sales with three customers in 2023 that approximated 33%, 12%, and 10%. During 2022, the Company had sales from one customer that approximated 57% of sales.

20. Operating Expenses

20.1 Research and development

		2023		2022
Compensation and benefits	€	564,657	€	447,517
Other research and development costs		49,894		23,499
Capitalized R&D costs		(472,747)		(327,210)
Total	€	141,804	€	143,806

The Company capitalizes wages and direct material expenses associated with R&D in accordance with IAS 38 (see Notes 6 and 22). Last year 70% of the wages and direct material expenses were reimbursed through government grants and the remaining 30% of the wages and direct material expenses were being capitalized.

20.2 Sales and Marketing

		2023		2022
Compensation and benefits	€	182,889	€	40,522
Contractors		202,464		99,204
Consultancy fees		50,926		-
Publicity and advertisement		85,960		8,991
Traveling expenses		82,881		54,560
Total	€	605,120	€	203,277

20.3 General and Administrative

	2023	2022
Compensation and benefits	€ 713,031	€ 220,530
Consultancy fees	713,551	66,645
Legal services	-	100,553
Contractors	316,594	139,300
Accounting and audit services	51,277	303,239
Non-executive board compensation and expenses	200,660	-
Depreciation and amortization	261,679	66,513
Automation costs	104,185	31,254
Freight costs	75,113	30,039
Office expense	49,086	28,768
Lease expense	24,754	10,320
Insurance costs	78,554	2,600
Other general expenses	66,239	68,225
Total	€ 2,654,723	€ 1,067,986

21. Other Income and Expense

	2023	2022
EIC subsidy	€ -	€ 776,910
Other subsidies	133,579	136,370
Change in fair value of warrant liabilities	(1,408,222)	(2,635,779)
Change in fair value of convertible notes payable	(933,623)	(180,371)
Other income and expense	(2,655)	-
Total	€ (2,210,921)	€ (1,902,870)

22. Government Grants

The Company received a grant from the European Commission, European Innovation Council ("EIC") in October 2020 for a total amount of €1,508,296. It was subject to a 24-month duration with a 70% reimbursement rate. The Company recognized €776,910 of the grant in 2022. €672,257 and €59,129 have been recognized in 2021 and 2020 respectively.

The Company has received other Dutch government grants and subsidies for various other projects and the Company recognizes and records such amounts when received and upon meeting the grant stipulations. During 2023, the Company received and recognized €133,579 which was recorded within other expense, net in the accompanying statement of operations and comprehensive loss. During 2022, the Company received and recognized €136,370 which was recorded as a reduction of research and development costs in accordance with the stipulations of the grant as such amounts were a reimbursement of certain research and development expenses incurred.

23. Related Parties

Related persons as defined by IAS 24 (“Related Party Disclosures”) are persons who, by virtue of their positions, are responsible for the operations of the Company. The Company considers the executive management team, consisting of the Chief Executive Officer and the Chief Financial Officer as key management. They have the authority and responsibility for planning, directing, and controlling operating activities. See Note 15 for loans and liabilities to related parties.

23.1Key management personnel compensation

The charges as accounted for in the accompanying statements of operations and comprehensive loss resulting from the remuneration of current and former members of the Board of Management and members of Supervisory Board of the Company in 2023 and 2022 were as follows:

		2023		2022
Cash based compensation	€	167,060	€	141,560
Share based compensation		603,778		35,000
Total	€	770,838	€	176,560

24. Financial Instruments and Financial Risk Management

24.1 Financial instruments - Trade payables, tax, remuneration, social security, other accounts payable including liability accruals are valued at nominal value. Financial assets and financial liabilities are recognized at their fair value initially. Transaction expenses for assets and liabilities are also included in the initial fair value measurement. Using the effective interest rate method, financial liabilities are measured at amortized cost after the initial recognition

24.2 Financial risk management - The Company is exposed to market risk, credit risk, and liquidity risk. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Other price risk is the risk that the Company will be affected by the price volatility of certain commodities. Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Liquidity risk is the risk the Company will have a shortage of funds available.

Management has the overall responsibility to establish and oversee the Company's financial risk management. Financial risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Through its training and management standards and procedures, it aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. Management of the Company does not currently believe it is exposed to significant risk in these areas given that the convertible notes payable and warrant liabilities are expected to be converted to equity upon the completion of the IPO during 2024 and given there are minimal foreign currency transactions at the current time.

25. Commitments and Contingencies

25.1 For purposes of the Dutch government, the Company heads a fiscal unity. The Company is therefore liable for the tax obligations of the fiscal unity for the Dutch entities as a whole.

25.2 From time to time, the Company may become involved in various claims and actions for matters arising out of its business operations. However, we are not currently a party to any such claims or actions and there is currently no litigation or threatened litigation involving the Company and the Company does not expect the outcome of any such matter to have a material adverse effect on the consolidated financial statements of the Company.

26. Subsequent Events

26.1 The majority of the Convertible Promissory Notes outstanding as of December 31, 2023 had a maturity date of January 1, 2024. The Company proposed and all of the Convertible Promissory Note holders agreed to extend the maturity date to March 31, 2024, in exchange for a payment, upon IPO, of 5% of the principal value of their Notes in cash. In April, all of the Convertible Promissory Note holders agreed to extend the maturity date to April 30, 2024 for additional compensation of 2% of the principal value. The Convertible Promissory Notes are currently in default; however in June 2024, the Company is seeking to extend the maturity date of April 30, 2024. The Company is seeking the Convertible Promissory Note holders' agreement to extend the maturity date to September 1, 2024. In return, the Company will provide the Convertible Promissory Note holders additional compensation in the amount of 5% of the principal amount outstanding, payable in ADSs issued within 7 days of the IPO. In addition, the Company, will increase the discount offered to those who convert the full principal value of their Convertible Promissory Notes into RanMarine ADSs at the IPO to a 30% discount off of the IPO price. If the final IPO structure includes one or more warrants, the Convertible Promissory Note holders will receive the same warrant(s) for any principal amount that is converted into RanMarine ADSs. The Company believes that the Convertible Promissory Note holders will agree to the extension as they have done twice before.

26.2 Subsequent to December 31, 2023, the Company issued additional bridge loans totaling € 0.7 million. € 0.4 million of this amount are notes payable with an average interest rate of 18.7% that will be settled in cash. € 0.3 million is a convertible note payable that will be converted into equity with a 25% discount at the event of an IPO. The loans have maturity dates between August, 2024 and December, 2024.