

DLTX

# Annual Report 2022



# General Statement

The enclosed Financial statements and Board of Directors' report, together with the accompanying notes, fulfills DLTx ASA's Norwegian statutory requirements for annual reporting. The Annual report 2022 is available in PDF-format on our website [www.dltx.com](http://www.dltx.com). Throughout this report "the Company" and "DLTx" refers to parent company DLTx ASA, while "the Group" refers to DLTx ASA and its affiliate companies

# The Board of Directors and Management

## **James Haft**

### **Chairman of the Board of Directors 2022**

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James Haft has a JD/MBA from Emory University and has worked in the capital markets since the late 80's. He has experience from Bear Stearns, Furman Selz and ING Barings before founding Pacific Alliance Limited, LLC through which he has co-founded and advised on over 50 internet and distributed ledger technology startups. He is an entrepreneur and Merchant Banker with broad experience managing, advising, fund raising, and developing opportunities for businesses leveraging the digitization of information and value. James has focused on the adoption of distributed ledger technology and other decentralized, encrypted data platforms adopted to improve the security, speed, and cost of transactions and communications.

Resigned 10 April 2023.

## **Viggo Leisner**

### **Board Member**

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Viggo Leisner has long experience from oil trading, and more than 15 years as responsible for investments and M&A for Arne Blystad AS. During his 15 years as investment manager at Arne Blystad AS, he has been involved in strategic processes, financing and other support for several companies from many different businesses. He has also served at the board of directors of both private and public companies, inter alia as vice chairman of Brabank ASA and board member of Arcane Crypto. He holds a Cand. Merc in Finance from Ålborg University/St. Cloud University Minnesota and he was a sergeant at Norwegian Infantry Officer School.

## **Kari Mette Toverud**

### **Board Member**

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Kari Mette Toverud is Client Partner at the Assessment Company. Ms Toverud has worked in the telecom and datacom sectors for the past 25 years: Communication and Marketing Director at Broadnet and Ventelo from 2011 to 2014 and held the same position at Network Norway from 2006 to 2011. She was COO at Cloudberry Mobile from 2014 to 2015 and has held top management positions at Telenor Media, Telenor Mobil and Telenor Nordic Mobile (1995–2006). She has also served on a number of boards, notably Telenor Eiendom, Telenor Norge and Telenor Key Partner, and currently sits on the boards of Nextgentel AS, Bitpro AS, Totalctrl AS and KatrinUri AS. Ms Toverud has a Master of Business and Marketing/ Handelsøkonom from BI Norwegian Business School/ Handelsakademiet (1987–1991).

Chairperson from 14 April 2023.

## **Roger Lund**

### **Acting Managing Director**

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Roger Lund is VP Strategy and acting Managing Director of DLTx. He has broad experience from roles as analyst in investment banking, risk manager in hedge fund and equity funds, and as project manager in corporate finance for companies such as Warren Capital AS, ProCorp AS and others.. He holds a MSc from London Metropolitan University in Financial Management and Derivates, and a BBA from the University of North Dakota in Financial Management.

# Management Report

## Challenging 2022 for Blockchain Market

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In 2022, the blockchain and cryptocurrency markets faced a challenging landscape, as a confluence of factors contributed to a market downturn. Regulatory uncertainty, the collapse of major players in the space and the macroeconomic environment were some of the key issues which emerged.

The lack of clear and uniform regulations across jurisdictions created uncertainty for both investors and developers, causing a slowdown of investments in the blockchain space. This regulatory pressure led to the exit of some market players and a decline in overall market confidence.

Another factor that dealt a heavy blow to the blockchain market in 2022 was the collapse of major players, including Luna, Three Arrows Capital, FTX, and others. These collapses were triggered by a combination of factors, such as, security breaches, regulatory scrutiny and mismanagement of funds. The downfall of these prominent platforms not only resulted in significant financial losses for investors but also tarnished the reputation of the blockchain industry as a whole. The situation heightened concerns about the stability and reliability of blockchain-based projects and services, further dampening investor sentiment and market growth.

Lastly, the blockchain market was not immune to the broader macroeconomic environment, which experienced fluctuations due to global economic uncertainties and geopolitical tensions. As the overall financial markets faced volatility, the risk appetite of investors decreased, resulting in capital flight from the blockchain sector.

## Subsequent Events

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The business model of funding discrete special purpose vehicles to finance the growth and development of the operational divisions of the Company proved demanding given the market conditions.

As a result of the funding challenges the divisions struggled to reach critical size which resulted in growing liabilities and an added financial pressure on the parent company. DLTx sold its foreign operating entities in April 2023 along with Filecoin cloud storage partnerships Storify and Helix as a part of efforts to improve the financial position and facilitate new strategic initiatives .

DLTx sold the shares in the group's foreign operating subsidiaries for USD 1 and a continuation of existing claims the Company had towards some of the divested subsidiaries. The foreign subsidiaries had significant outstanding debt of USD 28 million, including approx. USD 3.25 million to DLTx ASA. The Company's claims are carried forward and do not represent a traditional "sellers' credit" where DLTx would be paid a performance from the buyer in the future as settlement for the shares.

The value was set at USD 1 due to the significant debt of the subsidiaries resulting in low equity/real value. The provisions of the Norwegian Public Limited Companies Act § 3-10 et seq. therefore do not apply as the real value of the company's performance (i.e., the shares in the foreign subsidiaries) represents significantly less than 2.5 percent of the group's total balance sheet.

DLTx ASA and its Filecoin division actively tried to raise funds to continue development of operations in expectation of the completion of the business combination agreement with BMAQ. The termination of the agreement in the middle of March 2023, left the Company with no alternative sources of funding.

The sale of the subsidiaries was an important part in DLTx's effort to improve its financial position, and following the sale the Company was successful in completing a Private Placement.

## Outlook

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Moving forward the focus of DLTx will be optimization of the balance sheet and an opportunistic approach towards the investment portfolio.

The longer-term strategy of the Company is pursuing business combinations with companies focusing on innovative, sustainable and scalable business models.

# Report from the Board of Directors

## The Business of the Group

The Company's legal and commercial name is DLTx ASA. The Company is a Norwegian public limited company incorporated in Norway under and governed by the Norwegian Public Limited Companies Act, with business registration number 976 094 875. DLTx is domiciled in Oslo, Norway.

DLTx is a technology company focusing on building and scaling infrastructure for Web3 through doing business with blockchains. The Group includes, in addition to DLTx ASA, the following subsidiaries:

- DLTx Wireless AS
- DLTx Ventures AS
- DLTx Cloud AS
- DLTx Digital Assets AS
- DLT Ireland Ltd
- PAL Capital Ventures Inc.
- DSM Tech Enterprises Inc.
- Filtech SPV LLC
- Midwest Blockchain LLC
- Afton Blockchain LLC
- DSM Tech Enterprises UK Ltd
- File Storage Company 1 Inc.
- File Storage Partners LLC
- File Storage Ops 1 LLC
- File Storage Ops 3 LLC
- File Storage Ops 4 LLC
- File Storage Ops X LLC
- File Storage Token Provider LLC
- SAS Helix
- Storify BV
- Long Term Data Provision Partners Ltd
- File Storage Ops 2 Ltd
- File Storage OPS 2 AS
- Relay Partners LLC
- Relay Services LLC
- Recurring Revenue Generator LLC
- Recurring Revenue Generator X LLC
- Large Scale Compute LLC
- Lone Star Compute Partners LLC
- Curtailment Reduction Services Ops 1 LLC
- Curtailment Reduction Services Ops 2 LLC
- Flare Gas Reduction Services Ops 1 LLC
- Large Scale Compute Operations 1 LLC

The decision has been made to sell all of the subsidiaries except DLT Ireland Ltd, Pal Capital Ventures Ltd, DLTx Wireless AS, DLTx Ventures AS, DLTx Cloud AS and DLTx Digital Assets AS to a group of former U.S. management on 8th of April 2023 for USD 1.0 along with continuation of debt to DLTx ASA of USD 3,257,281 .

## Financial Performance

The Group's revenues slightly decreased from USD 1.994m last year to USD 1.966m in 2022. Net loss in 2022 was USD -37.106m, compared to USD -4.960m in 2021. The large decrease in net loss is mainly due to the following factors:

- Decrease in FIL pricing simultaneously with large investments in hardware.
- DLTx entered a business combination agreement with Blockchain Moon Acquisition Corp. regarding a purchase of DLTx's Web3 assets. This transaction was terminated, and a large amount of costs related to this transaction occurred.
- The investment portfolio has decreased in value, mainly due to the market downturn.

Total cash flow from operating activities was USD 3.265m in 2022, and the operating loss constituted USD -22.531m. The difference mainly concerns ordinary depreciation and received receivables. The Group's capital investments during 2022 amounted to USD 26.177m, of which USD 26.540m has been invested in new machinery regarding storage for Filecoin. This has increased the Group's production capacity.

The Group's liquidity reserve amounted to USD 1.546m as of 31.12.2022 . The Group's ability to self-finance investments were not good as of 31.12.2022. As a result, the board of directors approved the sale of operating subsidiaries for USD 1.0 and continuation of debt of USD 3,257,281 on 8 April 2023. Subsequently the Company has also secured approx. USD 2.5m in a Private Placement to secure continuing operations.

The Group's short-term debt as of 31.12.2022 constituted 21 % of the Group's total debt, compared to 9 % as of 31.12.2021. The rise in short-term debt is managed through the sale of subsidiaries and capital funding in 2023.