

Item 13 – Resolution on incentive program 2021 and issue of warrants and employee stock options

Background and reasons

The Board of Directors of Arcane Crypto AB (the “**Company**”) proposes that the Annual General Meeting resolves to implement a long term incentive program for employees within the Company (“**LTI 2021**”). The purpose with the proposal is to create conditions to retain and increase motivation with senior executives, employees and other key individuals in the Company. The Board of Directors believes that it is in the interest of all shareholders that senior executives, employees and other key individuals, which are assessed to be of importance for the development of the Company, have a long-term interest of a positive value growth in the Company's shares. Through the program, a long-term ownership engagement is expected, which stimulates an increased interest in the business and the earnings development in general as well as increasing the motivation for the participants.

In the light of the above, the Board of Directors proposes that the Annual General Meeting resolves to implement the incentive program LTI 2021 in accordance with item 13 (a) – 13 (d) below. The resolutions under item 13 (a) – 13 (d) below are proposed to be conditional upon each other and for that reason it is proposed that all resolutions are to be passed as one resolution. LTI 2021 is proposed to include up approximately 29 current and future employees within the Company.

Item 13 (a) - Proposal regarding the adoption of LTI 2021

LTI 2021 comprises two (2) series. Series 1 consists of warrants to be transferred to employees within Arcane Crypto in Sweden. The warrants of Series 1 have a term of three (3) years. For series 1 the holders are entitled to exercise the warrants to subscribe for shares during a period of two (2) months after the expiry of the term. Series 2 comprise of employee stock options which will be granted to employees within Arcane Crypto in the UK and Norway.

The Board of Directors therefore proposes that the Annual General Meeting resolves to issue not more than 198,280,952 warrants, of which not more than 28,519,862 warrants may be issued in Series 1 and not more than 169,761,090 warrants may be issued in Series 2. The right to subscribe for the warrants of Series 1-2 shall belong to the Company, which shall transfer the warrants of Series 1 to employees and hold warrants of Series 2 to ensure delivery of shares upon exercise of employee stock options in Series 2. Each warrant entitles the holder to subscribe for one (1) share in the Company.

Below is a description of the terms and conditions for each of the options Series 1-2.

Series 1 – Warrants

The Company will transfer the warrants in Series 1 to participants at a price corresponding to the market value of the warrant (the warrant premium).

Each warrant of Series 1 entitles the holder to subscribe for one (1) share in the Company during the call period at an exercise price corresponding to 130 per cent of the volume-weighted average price for the Company’s share on Nasdaq First North Growth Market during the period commencing on May 24th 2021 up to and including June 4th 2021. However, the exercise price may not be less than the share’s quota value. Day without price quotation shall not be included in the calculation.

The call period for exercising the warrants for subscription of shares is during the period commencing on August 12th 2024 up to and including October 12th 2024.

The issued warrants of Series 1 shall, with deviation from the shareholders' preferential rights, be able to be subscribed for by the Company whereafter the warrants shall be offered to the participants. The notification of acquisition of the warrants shall take place during the period from June 7th 2021 to August 9th 2021. Transfer of the warrants from Series 1 shall be made at a price corresponding to the market value of the warrants (the warrant premium) calculated according to an established method of valuation (the Black & Scholes valuation model). The warrant premium will be determined in connection to the start of the subscription period, applying the Black & Scholes valuation model. The Board of Directors of the Company shall be authorized to extend the period during which notice of acquisition must take place. Warrants shall also be available to future new employees. For acquisitions made by future new employees the terms shall be the same or equal to the terms that are stated in this resolution. This means, inter alia, that such acquisitions shall take place based on the, at that time, going market value and that the Board of Directors shall set forth a notice of acquisition period for new employees whose acquisition takes place after the initial notice of acquisition period. The valuation of the warrants shall be made by an independent appraiser or audit firm. The Company shall in connection with the transfer of the warrants to the participants reserve a pre-emption right regarding the warrants if the participant's employment or assignment within the group is terminated or if the participant wishes to transfer its warrants.

In order to encourage participation in the program, the Board of Directors is authorized to resolve on a subsidy in the form of gross salary additions, maximum corresponding to the premium paid for each warrant.

Series 2 – Employee stock options (with warrants as hedging arrangement)

Each employee stock option entitles the employee to acquire one (1) share in the Company in accordance with the following terms and conditions:

- The employee stock options of Series 2 will be granted without consideration;
- The employee stock option of Series 2 entitles the holder to acquire one (1) share in the Company at an exercise price corresponding to 130 per cent of the volume-weighted average price for the Company's share on Nasdaq First North Growth Market during the period commencing on May 24th 2021 up to and including June 4th 2021. However, the exercise price may not be less than the shares quota value. Day without quotation price shall not be included in the calculation;
- The employee stock options of Series 2 entitles the holder to acquire shares during the period commencing on August 12th 2024 up to and including October 12th 2024;
- As a general rule, the employee stock options shall only be available to be exercised if the holder is still an employee within the Company. Depending on the circumstances, the Board of Directors is entitled to make discretionary decisions in accordance with the LTI 2021 terms and conditions.

Recalculation due to split, consolidation, new share issue etc.

The exercise price for Series 1-2 as set out above, shall be rounded to the nearest SEK 0.10 whereby SEK 0.05 shall be rounded upwards. The exercise price and the number of shares that each warrant entitles to subscription for shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with customary re-calculation terms. If the warrants of Series 1-2 are completely exercised the Company's share capital will increase with SEK 723,472.43871.

Allocation of warrants and employee stock options

The participants' right to acquire warrants and employee stock options (together "Options") have been distributed with reference to position, responsibility and working performance in the group and the participants have for this reason been divided into three categories:

- i. Group 1: CEO and Senior Executives consisting of up to **4** positions, of which each may be offered a maximum of **12,222,798** Options, totalling a maximum of **48,891,192** Options; and
- ii. Group 2: Team Leaders consisting of up to **5** positions, of which each may be offered a maximum of **8,148,532** Options, totalling a maximum of **40,742,660** Options; and
- iii. Other employees and key individuals consisting of up to **20** individuals, of which each may be offered a maximum of **5,432,355** Options, totalling a maximum of **108,647,100** Options.

The right to receive warrants for employees within Sweden requires that the participant enter into a preemption agreement with the Company. Preemption shall be made at market value. The warrants are otherwise freely transferable. The right to receive employee stock options of Series 2 shall accrue to employees in Norway and the UK.

Costs

The incentive program is expected to have a marginal effect on the Company's adjusted EBITDA per share. Given that the warrants of Series 1 shall be transferred at a price corresponding to the market value of the warrants, no significant costs will arise for the Company in connection with the transfer of warrants to the participants. The market value of the warrants is, in accordance with a preliminary valuation made based on a market value on the underlying share corresponding to SEK 0.17 per warrant for assuming an exercise price of SEK 0.36 per share. The Black & Scholes valuation model has been used for valuing the warrants, assuming a risk free interest of -0.1 per cent and a volatility of 100 per cent. Given that the Company allocate subsidy corresponding to warrant premium to participants under Series 1, social costs amount to approximately 1.5 MSEK, given tax rate for social costs amount to 31.42%.

Costs related to LTI 2021 will be accounted for in accordance with K3 which stipulates that the subsidy allocated for Series 1 and employee stock options allocated for Series 2 shall be recorded as a personnel expense in the income statement during the vesting period. The total costs for the subsidy and the employee stock options are expected to amount to approximately MSEK 43 during the term of the program, assuming share price at exercise is SEK 0.7 and tax rate for social costs amount to 31.42% for Swedish employees and c. 14% for non-Swedish employees.

Effect on important key ratios

The annual costs for LTI 2021 amount to approximately 134 per cent of the Company's personnel costs for the financial year 2021. (The company's average number of employees during 2020 was 11.3 people. As of May 31, 2021, the company has 29 employees. The Company has announced that it intends to significantly strengthen the organization by increasing the number of employees.) The majority of the costs does not have an impact on the Company's cash flows.

Dilution

Upon exercise of all warrants in LTI 2021 up to 222 200 000 shares (with reservation for any recalculation), equivalent to approximately 2.8 per cent of the total number of shares and votes, may be issued given that future social security costs are hedged in accordance with 13 (d). The

calculation is based on the maximum number of shares and votes which can be issued divided with the total number of shares and votes after such issue. Upon full exercise of the warrants, the Company's share capital will increase with a maximum of SEK 810,746.43964.

Preparation of the proposal

The proposal for the incentive program LTI 2021 has been prepared by the Board of Directors of the Company in consultation with external advisor.

The reason for the deviation from the shareholders' preferential rights

The reason for the deviation from the shareholders' preferential rights is to implement an incentive program for the senior executives and key employees in the Company and the group.

Majority requirement

Resolution in accordance with the proposals require that the resolutions be supported by shareholders representing no less than nine-tenths of the votes cast and the shares represented at the Annual General Meeting.

Authorization

It is further proposed that the Board of Directors, or a person appointed by the Board of Directors, is authorized to undertake such minor adjustments in the decision that may be required for the registration with the Swedish Companies Registration Office and Euroclear Sweden AB and that the Board of Directors shall have the right to undertake such minor adjustments to the incentive program due to applicable foreign rules and laws.

Item 13 (b) - Issue of warrants

In order to secure the delivery of shares pursuant to the LTI 2021, the Board of Directors proposes that the Annual General Meeting resolves on an issue of a maximum of 198,280,952 warrants of series 2021/2024, entitling to subscription of new ordinary shares in the Company as follows and possibly increase the share capital with maximum SEK 723,472.43871 after full exercise of the warrants.

1. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, be granted to Arcane Crypto AB, with the right and obligation to dispose the warrants according to the items 13 (a) and (c).
2. The reason for the deviation from the shareholders' preferential rights is that the issue of warrants ensures delivery of shares to the participants in the LTI 2021.
3. The warrants shall be issued free of charge.
4. Subscription of the warrants shall take place within two (2) months from the date of the resolution to issue warrants. The Board of Directors shall have right to extend the subscription period.
5. The warrants give right for subscription of shares during the period August 12th 2024 up to and including October 12th 2024.
6. Each warrant shall entitle subscription of one (1) share at a subscription price corresponding to 130 per cent of the volume-weighted average price for the Company's share on Nasdaq First North Growth Market during the period commencing on May 24th 2021 up to and including June 4th 2021. Recalculation may occur in accordance with the Terms and Conditions for the Warrants. In connection with

subscription of shares exercised through a warrant, the part of the subscription price that exceeds the quotient value shall be added to the non-restricted share premium reserve.

7. The newly issued shares following exercise of the warrants shall carry rights to dividends for the first time on the first record date for dividend that take place after the shares have been registered and recorded in the share register kept by Euroclear Sweden AB.
8. The complete terms and conditions for the warrants are available on the company's website, investor.arcanecrypto.se.
9. The Board of Directors, or the person that the Board of Directors may appoint, shall be authorized to make the adjustments as may be required in connection with registration with the Swedish Companies Registration Office.

Item 13 (c) - Transfer/Disposal of the warrants to the participants or otherwise to third parties

The Board of Directors also proposes that the Company may transfer/dispose of the warrants to the participants or otherwise to third parties for the purpose of delivering shares to the participants in accordance with the terms and conditions of the LTI 2021. The Company may only transfer/dispose of the warrants for this purpose.

Item 13 (d) - Authorization for the Board of Directors to resolve to issue warrants to a third party

The Board of Directors furthermore proposes that the Annual General Meeting resolves to authorize the Board of Directors to resolve to issue no more than 23,919,048 warrants to a bank or securities company, all on the terms set out for the LTI 2021. The purpose of the authorization and the reason for the deviation from the shareholders' preferential rights is to have the option to hedge the Company's exposure against social security costs incurred in connection with the LTI 2021, by way of, to a third party with whom the Company has an agreement, issue warrants which can be exercised to subscribe shares that thereafter are sold at market value.

1. The warrants shall be issued free of charge. Each warrant shall entitle to subscription of one (1) share in the Company, thus, the share capital will increase with maximum SEK 87,274.00093.
2. The right to subscribe for the warrants shall, with deviation from the shareholders' preferential rights, be granted to a Swedish bank or Swedish securities company.
3. The warrants may be exercised for subscription of shares from August 12th 2024 up to and including October 12th 2024.
4. Each warrant entitles the holder to subscription of one (1) share at a subscription price corresponding to the quota value. Recalculation may occur in accordance with the complete warrant conditions.
5. The Board of Directors, or the person that the Board of Directors may appoint, shall be authorized to make the adjustments as may be required in connection with registration with the Swedish Companies Registration Office.