

Proposal of the Board of Directors of Arcane Crypto AB – Item 8 – Resolution on revision of LTI 2021

Background and motives

The Board of Directors believes, after discussions with the program participants, that there is reason to revise the incentive program, LTI 2021, which was established at the Annual General Meeting on 21 May 2021, to ensure that LTI 2021 reflects the purpose of the program and fulfils the effects that were sought in the establishment of the program. The Board of Directors therefore proposes that the Extraordinary General Meeting resolves to approve revisions in LTI 2021, meaning that the participants who according to the resolutions of the Annual General Meeting held on 21 May 2021 are entitled to warrants of Series 1 are after the revision entitled to Series 1 employee stock options and that Series 1 be extended to include additional participants (“**Revised LTI 2021**”). The proposal for the Revised LTI 2021 follows in its entirety below. The purpose of revising the program is to create conditions for maintaining and increasing the motivation of senior executives, employees and other key personnel. Adjustments to the program have been made to better fulfil the program’s original purpose, to permit new key personnel to participate in the program and to enable that the duration of the program, after completed revisions, remains three years. Revised LTI 2021 does not affect participants or employee stock options of Series 2 established at the Annual General Meeting held on 21 May 2021.

In light of the above, the Board of Directors proposes that the Extraordinary General Meeting resolves to revise the LTI 2021 in accordance with item 8 (a) – 8 (d) below. The resolutions under item 8 (a) - 8 (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. The Revised LTI 2021 is proposed to include up approximately eight (8) employees within the company.

Item 8 (a) - Proposal regarding the revision of LTI 2021

The revision of LTI 2021 will result in the Swedish participants receiving employee stock options of Series 1 instead of warrants of Series 1. In order to enable new key employees to participate in the program, the Board of Directors proposes that Revised LTI 2021 is expanded so both Swedish and non-Swedish employees can participate. Further, the Board of Directors propose that the Extraordinary General Meeting resolves to issue a maximum of 52,965,460 warrants to ensure the delivery of shares upon exercise of the employee stock options under the Revised LTI 2021. The right to subscribe for the warrants in the employee stock option program shall be granted to the company in the purpose of ensuring the delivery of shares under the Revised LTI 2021. Every warrant entitles the holder to subscribe for (1) share in the company.

In developing the Revised LTI 2021, the Board of Directors' ambition has been to maintain the terms resolved by the Annual General Meeting for LTI 2021, as far as possible. The following paragraph describes the terms of the program:

Employee stock options (with warrants as hedging arrangement)

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

- The employee stock options will be granted without consideration;

- The employee stock option entitles the holder to acquire one (1) share in the company at an exercise price corresponding 0,2 SEK, which correspond to the exercise price for employee stock options of Series 2;
- The employee stock options of Series 1 entitle the holder to acquire shares during the period commencing on 1 January 2025 up to and including 28 February 2025;
- 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 Revised LTI 2021 terms and conditions.

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

The exercise price and number of shares that every warrant entitles to shall be recalculated in the event of a split, consolidation, new share issue etc. in accordance with customary recalculation terms. Given that all warrants are exercised the Company's share capital will increase with SEK 193,256.337209.

Allocation of warrants and employee stock options

The participants' right to acquire employee stock options (the "**Options**") have been allocated 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 one (1) position, of which each may be offered a maximum of 12,222,798 Options;
- ii. Group 2: Team Leaders consisting of up to one (1) position, of which each may be offered a maximum of 8,148,532 Options; and
- iii. Other employees and key individuals consisting of up to six (6) individuals, of which each may be offered a maximum of 5,432,355 Options, totaling a maximum of 32,594,130 Options.

The right to receive employee stock options belongs to both Swedish and non-Swedish employees.

Costs

The Revised LTI 2021 will be reported in accordance with K3, which means that the employee stock options will be expensed as personnel costs during the program. The cost of the Revised LTI 2021 is estimated to amount to approximately SEK 9 million calculated in accordance with Q3, based on the following assumptions: (i) that all Employee Options are exercised, (ii) a price of the company's share of SEK 0.26 in 2025 and (iii) average social costs of 31.42 percent. Costs for the Revised LTI will increase costs corresponding to allocation under Series 1, but is not estimated to increase overall LTI 2021 costs for the Company.

Effect on important key ratios

The annual costs for the Revised LTI 2021 amount to approximately 33 percent of the company's personnel costs for the financial year 2020. (The company's average number of employees in 2020 was 11.3 people. As of September 30, 2021, the company had 22 employees. The company has announced that it intends to strengthen the organization significantly by increasing the number of employees.) The majority of the costs do not affect the company's cash flows.

Dilution

Upon full exercise of all employee stock options in the Revised LTI 2021 up to 69,607,208 shares (with reservation for any recalculation), equivalent to approximately 0.81 percent of the total number of shares and votes, may be issued given that future social security costs are hedged in accordance with item 8 (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 253,977.480068.

If the Extraordinary General Meeting resolves to adopt the Revised LTI 2021, 28,519,862 warrants of Series 1 issued by the Annual General Meeting held on 21 May 2021 will be cancelled with the Swedish Companies Registration Office. The allocation of employee stock options of Series 2 in LTI 2021 has been completed and a total of 50,755,905 employee stock options of Series 2 in LTI 2021 were not allocated. The Board of Directors will resolve to cancel the corresponding number of warrants issued within LTI 2021 with the Swedish Companies Registration Office. As a result of this, the total number of warrants issued under LTI 2021 (including the Revised LTI 2021) will be 136,660,339 and thus will not exceed the dilution or the costs in LTI 2021, as adopted by the Annual General Meeting held on 21 May 2021.

Preparation of the proposal

The proposal for the Revised 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 Extraordinary 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 8 (b) - Issue of warrants

In order to secure the delivery of shares pursuant to the Revised LTI 2021, the Board of Directors proposes that the Extraordinary General Meeting resolves on an issue of a maximum of 52,965,460 warrants, entitling to subscription of new ordinary shares in the company as follows and possibly increase the share capital with maximum SEK 193,256.337209 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 8 (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 Revised 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 commencing 1 January 2025 up to and including 28 February 2025.
6. Each warrant shall entitle subscription of one (1) share at a subscription price corresponding to SEK 0.2, which correspond to the exercise price for employee stock options of Series 2. 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. According to the terms of the warrants, the subscription price and the number of shares that each warrant entitles to subscribe for may be subject to recalculation in certain cases.
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 8 (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 Revised LTI 2021. The Company may only transfer/dispose of the warrants for this purpose.

Item 8 (d) - Authorization for the Board of Directors to resolve to issue warrants to a third party

The Board of Directors furthermore proposes that the Extraordinary General Meeting resolves to authorize the Board of Directors to resolve to issue no more than 16,641,748 warrants to a bank or securities company, all on the terms set out for the Revised 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 Revised 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. The authorization may only be used to cover social security costs in relation to participants that are based in Sweden at the time the employee stock options of Series 1 are allocated.

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 60,721.142859.

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 commencing 1 January 2025 up to and including 28 February 2025.
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.

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.