

arcane

# Annual Report 2021



# Contents

<b>1</b>	<b>Board of Directors' Report</b>
<b>4</b>	<b>Group Income Statement</b>
<b>5</b>	<b>Group Balance Sheet</b>
<b>7</b>	<b>Group Cash Flow Analysis</b>
<b>8</b>	<b>Parent Company Income Statement</b>
<b>9</b>	<b>Parent Company Balance Sheet</b>
<b>10</b>	<b>Parent Company Cash Flow Analysis</b>
<b>11</b>	<b>Notes</b>
<b>18</b>	<b>Auditor's report</b>

# Board of Directors' Report

**The Board and CEO of Arcane Crypto AB hereby report the Annual Report and group accounting for the financial year 2021.**

**The Annual Report is stated in Swedish Krona, SEK. Information in brackets refers to information for the previous financial year.**

## Information on operations

At the end of 2020, Vertical Venture entered into a purchase agreement to purchase all shares in Arcane Crypto AS through a directed issue of up to 7,327,666,667 shares in Vertical Venture. This agreement also meant that the main shareholders in Arcane Crypto AS also became majority owners in Arcane Crypto AB (previously Vertical Ventures). The reverse acquisition was approved by an extraordinary general meeting in Arcane Crypto AB on January 11, 2021 and the current corporate structure was thereby implemented.

Arcane Crypto AS was founded in 2009 and is a Norwegian limited liability company with its head office in Oslo, Norway. Arcane Crypto, with its current business areas since 2018, operates on an international basis with local offices in Stockholm and London.

Arcane Crypto has now been listed for one year and operational for roughly three years. During the first years, focus has been to build a portfolio of companies spanning the entire value chain for digital assets. Arcane Crypto is now developing a unified brand and technical platform whereby the company's customers can learn, trade and invest in digital assets. By gathering existing services on a common digital platform under one brand, it will maximize synergies and give our customers the best possible customer experience.

The company is registered in Stockholm.

## Ownership

On December 31, 2020 there were 6,593 shareholders owning a total of 540,072,401 shares in Arcane Crypto. Following the reverse acquisition of Arcane Crypto the number of shareholders has grown to 27,188 shareholders who owned a total of 8,505,700,189 shares on December 31, 2021.

During the year, 13,476,312,567 shares were traded at an average price of 0.29 SEK per share. In total, shares worth 3,972 MSEK were traded.

The strong growth in sales continued during the year following the consolidation of Kaupang in Q2 2021 and of Trijo in Q3 2021. Sales amounted to 332,239 kSEK in 2021 compared to 1,941 kSEK in the previous year. Net income amounted to -163,440 kSEK in 2021 compared to -20,526 kSEK in 2020. It should be noted that net income includes a non-recurring cost of 126,953 kSEK attributable to the reverse take-over of Arcane Crypto AS in Q1 2021.

Please observe that neither Alphaplate, LN Markets nor Pure Markets are consolidated. These portfolio companies are accounted for in accordance with the equity method and Arcane Crypto's share of ownership. Income from participation in associated companies amounted to -5,490 kSEK in 2021.

In Q1 2021, a directed rights issue was carried out which increased cash holdings and equity by 49,500 kSEK. In Q3 2021, Arcane Crypto carried out another directed share issue of 61,000 kSEK to finance the investment in Arcane Green Data AS. The group's equity amounted to 148,949 kSEK on December 31, 2021 which is an increase by 116,746 kSEK compared to the previous year.

## Significant events during the period

Bitcoin reached a new all-time high in the fourth quarter. Bitcoin's foothold on traditional markets continued to strengthen and this trend accelerated during the fourth quarter. In October, SEC approved the first American BTC-ETFs. Proshares BITO ETF managed to reach USD 1 billion in assets under management only two days after its launch. This made it into the most successful non-share related American ETF launch in history. This clearly illustrates that the demand for bitcoin exposure is growing and is very high at an institutional level. Closed-end funds and ETPs now hold a total of 845,000 BTC, an increase by 140,000 BTC since January 2021.

Institutional adoption continues within crypto. During the fourth quarter, the investor PIMCO reported that it held exposure towards crypto and Mastercard announced that they would enable banks to offer crypto credit and

debit cards. Banks broaden their service offerings, recruit competence in crypto and explore loans through crypto-currencies.

During the year, acquisitions of 100% of shares in Ijort Invest AB (Trijo) and Kaupang were completed. The holding in LN Markets was increased from 7% to 16%.

During the fourth quarter, Arcane Crypto initiated a Bitcoin mining operation through a 35 MSEK investment in the wholly-owned subsidiary Arcane Green Data Services. Additional equipment for 25 MSEK was ordered during the fourth quarter and became operational during 2022.

## Historical overview

Group (kSEK)	2021	2020
Net sales	332,239	1,941
The result of the period	-163,440	-20,526
Assets	181,044	43,448
Equity/Assets (%)	82.3	78.1

Parent company (kSEK)	2021	2020	2019
Net sales	10,055	3,000	2,225
The result of the period	2,119	-718	-42,873
Assets	476,607	5,028	12,716
Equity/Assets (%)	99.6	24.7	12.3

For definitions of KPIs, see Accounting and valuation principles.

## Changes in equity

Group (kSEK)	Share capital	Other contributed equity	Other equity incl. Profit for the year	Total equity
Equity Jan. 1, 2021	143	48,520	-19,483	29,181
Disposition based on decision at AGM				
Changes group structure	1,828	-205,297		-203,469
Rights issue	29,064	459,266		488,330
Issue costs		-4,926		-4,926
Exchange rate difference			3,274	3,274
The result of the period			-163,440	-163,440
<b>Equity Dec. 31, 2021</b>	<b>31,035</b>	<b>297,563</b>	<b>-179,649</b>	<b>148,949</b>

According to K3 19.6.5 the comparative figures for the group should be provided for the legal subsidiary at a reverse take-over. This is why the equity structure becomes different and is adjusted in the item Changes group structure.

Parent company (kSEK)	Share capital	Share premium fund	Balanced result	Profit for the year	Total equity
Equity Jan. 1, 2021	1,971	319,019	-319,031	-718	1,241
Disposition based on decision at AGM					
Added to equity			-718	-718	0
Rights issue	29,064	459,266			488,330
Issue costs		-4,926			-4,926
The result of the period				2,119	2,119
<b>Equity Dec. 31, 2021</b>	<b>31,035</b>	<b>773,359</b>	<b>-319,749</b>	<b>2,119</b>	<b>486,764</b>

## Proposed allocation of profit

The Board proposes that the profit is disposed accordingly (SEK):

Share premium fund	773,359,433
Balanced loss	-319,749,350
The result for the period	2,119,405
	<b>455,729,488</b>
Allocation into equity	455,729,488
	<b>455,729,488</b>

The group's and parent company's profit and standing can be viewed in the income statement, balance sheet and cash flow analysis with accompanying notes.

# Group Income Statement

kSEK	Note	Jan. 1, 2021 – Dec. 31, 2021	Jan. 1, 2020 – Dec. 31, 2020
<b>Operating Income</b>			
Net sales		332,239	1,941
Other operating income		386	162
		<b>332,625</b>	<b>2,103</b>
<b>Operating expenses</b>			
Cost of goods sold		–304,837	0
Other external expenses	2, 3	–25,496	–10,923
Personnel costs	4	–24,063	–12,642
Depreciation and write-downs		–11,499	–66
Other operating costs		–198	0
		<b>–366,093</b>	<b>–23,631</b>
<b>Operating profit</b>		<b>–33,468</b>	<b>–21,528</b>
<b>Result from financial items</b>			
Profit from participation in associated companies	5	–5,490	37
Interest income and other financial income		4,122	1,193
Interest expenses and other financial costs	7	–128,604	–228
		<b>–129,972</b>	<b>1,002</b>
<b>Profit after financial items</b>		<b>–163,440</b>	<b>–20,526</b>
<b>Profit before tax</b>		<b>–163,440</b>	<b>–20,526</b>
<b>The result of the period</b>		<b>–163,440</b>	<b>–20,526</b>

# Group Balance Sheet

kSEK	Note	Dec. 31, 2021	Dec. 31, 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Concessions, patents, licenses, brands and similar IP rights		3,632	184
Goodwill	8	47,527	0
		<b>51,159</b>	<b>184</b>
<i>Tangible assets</i>			
Inventories, tools and installations	9	66,244	74
		<b>66,244</b>	<b>74</b>
<i>Financial assets</i>			
Participation in associated companies	12	3,913	13,408
Holdings in other companies	13	17,936	2,067
Other long-term receivables	14	5,406	3,513
		<b>27,255</b>	<b>18,988</b>
<b>Total fixed assets</b>		<b>144,658</b>	<b>19,246</b>
<b>Current assets</b>			
<i>Short-term receivables</i>			
Accounts receivable		55	0
Other receivables		2,473	5,108
Prepaid costs and accrued income	15	10,969	0
		<b>13,497</b>	<b>5,108</b>
<i>Short-term investments</i>			
Other short-term investments		3,568	1,407
		<b>3,568</b>	<b>1,407</b>
<i>Cash and bank balances</i>		19,321	17,687
<b>Total current assets</b>		<b>36,386</b>	<b>24,202</b>
<b>TOTAL ASSETS</b>		<b>181,044</b>	<b>43,448</b>

# Group Balance Sheet

kSEK	Note	Dec. 31, 2021	Dec. 31, 2020
<b>EQUITY AND DEBT</b>			
<b>Equity</b>			
<i>Equity attributable to majority shareholders</i>			
Share capital		31,035	143
Other contributed capital		297,563	48,521
Other equity including profit for the year		-179,649	-19,483
<b>Equity attributable to majority shareholders</b>		<b>148,949</b>	<b>29,181</b>
<b>Total equity</b>		<b>148,949</b>	<b>29,181</b>
<b>Long-term debt</b>			
Other debt		0	177
		<b>0</b>	<b>177</b>
<b>Short-term debt</b>			
Accounts payable		1,535	5,964
Other debt	15	29,433	7,788
Accrued costs and prepaid income		1,127	338
		<b>32,095</b>	<b>14,090</b>
<b>TOTAL EQUITY AND DEBT</b>		<b>181,044</b>	<b>43,448</b>



# Group Cash Flow

kSEK	Note	Jan. 1, 2021 – Dec. 31, 2021	Jan. 1, 2020 – Dec. 31, 2020
<b>Operating activities</b>			
Profit after financial items		–163,440	–20,526
Adjustments for items that are not included in cash flow	16	138,452	3,541
<b>Cash flow from operating activities before changes in working capital</b>		<b>–24,988</b>	<b>–16,985</b>
<b>Changes in working capital</b>			
Changes accounts receivable		–55	–1,180
Changes in short-term receivables		–8,334	912
Changes accounts payable		–4,429	–1,914
Changes in short-term operating liabilities		–5,940	–734
<b>Cash flow from operating activities</b>		<b>–43,746</b>	<b>–19,901</b>
<b>Investment activities</b>			
Investments in intangible assets		0	0
Investments in tangible assets		–66,170	0
Investments in financial assets		–15,345	–9,015
<b>Cash flow from investment activities</b>		<b>–81,515</b>	<b>–9,015</b>
<b>Financing activities</b>			
Rights issue		109,350	47,752
New loans		17,545	0
Repayment of loans		0	–1,348
<b>Cash flow from financing activities</b>		<b>126,895</b>	<b>46,404</b>
<b>Changes in cash and cash equivalents</b>		<b>1,634</b>	<b>17,488</b>
Cash and cash equivalents at the beginning of the period		17,687	199
<b>Cash and cash equivalents at the end of the period</b>		<b>19,321</b>	<b>17,687</b>

# Parent company Income Statement

kSEK	Note	Jan. 1, 2021 – Dec. 31, 2021	Jan. 1, 2020 – Dec. 31, 2020
<b>Operating income</b>			
Net sales		10,055	3,000
Other operating income		247	0
		<b>10,302</b>	<b>3,000</b>
<b>Operating expenses</b>			
Other external expenses	2	–8,467	–2,409
Personnel costs	4	–1,209	–258
Other operating costs		–198	–1
		<b>–9,874</b>	<b>–2,668</b>
<b>Operating profit</b>	<b>3</b>	<b>428</b>	<b>332</b>
<b>Result from financial items</b>			
Profit from group companies		34	0
Profit from other financial items		0	669
Interest income and other financial income	17	1,732	–1,535
Interest expenses and other financial costs	6	–75	–184
		<b>1,691</b>	<b>–1,050</b>
<b>Profit after financial items</b>		<b>2,119</b>	<b>–718</b>
<b>Profit before tax</b>		<b>2,119</b>	<b>–718</b>
<b>The result of the period</b>		<b>2,119</b>	<b>–718</b>

# Parent Company Balance Sheet

kSEK	Note	Dec. 31, 2021	Dec. 31, 2020
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Financial assets</i>			
Participation in group companies	18, 19	326,762	900
		<b>326,762</b>	<b>900</b>
<b>Total fixed assets</b>		<b>326,762</b>	<b>900</b>
<b>Current assets</b>			
<i>Short-term receivables</i>			
Receivables from group companies	20	150,717	2,100
Other receivables	13	1,269	106
Prepaid costs and accrued income	14	13	1,762
		<b>151,999</b>	<b>3,968</b>
<i>Cash and cash equivalents</i>			
		9,781	160
<b>Total current assets</b>		<b>161,780</b>	<b>4,128</b>
<b>TOTAL ASSETS</b>		<b>488,542</b>	<b>5,028</b>

kSEK	Note	Dec. 31, 2021	Dec. 31, 2020
<b>EQUITY AND DEBT</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	21	31,035	1,971
		<b>31,035</b>	<b>1,971</b>
<i>Unrestricted equity</i>			
Share premium fund		773,359	319,019
Balanced profit or loss		-319,749	-319,031
Profit for the period		2,119	-718
		<b>455,729</b>	<b>-730</b>
<b>Total equity</b>		<b>486,764</b>	<b>1,241</b>
<b>Short-term debt</b>			
Accounts payable	15	920	403
Debt to group companies		0	1,150
Other debt		308	1,833
Accrued costs and prepaid income		550	401
<b>Total short-term debt</b>		<b>1,778</b>	<b>3,787</b>
<b>TOTAL EQUITY AND DEBT</b>		<b>488,542</b>	<b>5,028</b>

# Parent Company Cash Flow

kSEK	Note	Jan. 1, 2021 – Dec. 31, 2021	Jan. 1, 2020 – Dec. 31, 2020
<b>Operating activities</b>			
Profit after financial items		2,119	–718
Adjustments for items that are not included in cash flow	16	–49	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,070</b>	<b>–718</b>
<b>Changes in working capital</b>			
Changes accounts receivable		–1,039	–2,100
Changes in short-term receivables		445	1,254
Changes accounts payable		517	–942
Changes in short-term operating liabilities		–2,526	–8,679
<b>Cash flow from operating activities</b>		<b>–533</b>	<b>–11,185</b>
<b>Investment activities</b>			
Investments in financial assets		–99,196	–494
Divestments of financial assets		0	11,296
<b>Cash flow from investment activities</b>		<b>–99,196</b>	<b>10,802</b>
<b>Financing activities</b>			
Rights issue		109,350	0
New loans		0	1,500
Repayment of loans		0	–1,017
<b>Cash flow from financing activities</b>		<b>109,350</b>	<b>483</b>
<b>Changes in cash and cash equivalents</b>		<b>9,621</b>	<b>100</b>
Cash and cash equivalents at the beginning of the year		160	60
<b>Cash and cash equivalents at the end of the period</b>		<b>9,781</b>	<b>160</b>

# Notes (kSEK)

## Note 1 Accounting and valuation policies

---

### General information

The Annual Report and financial statements comply with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's standard BFNAR 2012:1 Annual Accounts and Consolidated Accounts (K3).

Receivables and debt in foreign currency are valued at closing day rates. Gains and losses on accounts receivable and payable are accounted for in the operating profit while currency gains and losses on financial receivables and debt are accounted for as financial items.

The accounting principles are unchanged compared to the previous year.

### Revenues

Revenues are recognized at fair value when the economic benefits with the transaction have occurred or will occur and the economic benefits associated with the transaction are likely to accrue to the company and the income can be measured reliably.

When a product is sold, the revenue is recognized when the significant benefits and risks associated with ownership of the product are transferred from the company to the buyer.

Revenue from trading in crypto currency generated through matchmaking (broker) is booked according to the accounting principle for products. When selling crypto currency to customers, the cost for the crypto currency is booked as a product expense and the sales value is recognized as revenue. When broker acquires crypto currencies from a customer and settles the trade by exchanging crypto currencies with another party, the trade by way of set-off is classified as revenue while the purchase from the customer is classified as an expense.

### Consolidated accounts

#### Consolidation

The Group's financial statements have been prepared in accordance with the purchase method. This implies that acquired businesses' identifiable assets and liabilities are measured at fair value in line with the purchase analysis. If the purchase price exceeds the market value of net assets in the purchase analysis, the difference is accounted for as goodwill.

### Changes in the Group's composition

According to accounting rules for the reverse take-over, the acquirer, Arcane Crypto AS, is seen as the surviving entity in group accounting.

The Group's changes in equity should be compared to previous accounts for the surviving company. Adjustments to correspond to share capital in the legal parent company is presented as a separate item in the report for changes in equity.

### Subsidiaries

The consolidated accounts include, in addition to the parent company, all companies where the parent company directly or indirectly has more than 50% of votes or in other ways has the controlling influence and thereby has the right to set the company's financial and operational strategies in order to gain economic benefits.

A subsidiary's revenues and expenses are included in the consolidated accounts as of when controlling influence transfers to the Group until the time when controlling influence ceases.

### Associated companies and jointly controlled entities

Associated companies include companies where the parent company has a significant but not controlling influence. A significant influence normally occurs when the company owns 20-50% of votes in the company.

### Accounting for associated companies

Holdings in associated companies are accounted for according to the equity method. The method means that a purchase analysis is carried out and potential over or under values are identified. The value of the holding is affected by either depreciation of over values or adding back under values. The value of the holding is also impacted by the share of income in the associated company, adjusted for internal profits and other group adjustments. Received dividends from associated companies reduce the value.

The share of associated companies' profit after tax is recognized as a separate item and affects the group's operating profit.

### **Transactions between Group companies**

Internal receivables and debt, transactions between group companies and unrealized gains are eliminated. Unrealized losses are also eliminated as long as it does not relate to a write down.

Changes of internal profits during the financial year have been eliminated in the consolidated income statement.

### **Measurement of foreign subsidiaries**

Foreign subsidiaries' accounts have been measured based on the present exchange rate. All items in the balance sheet have been valued at the exchange rate on date of the closing balance. All items in the income statement have been valued at the average exchange rate during the financial year. Differences that appear are accounted for directly in equity.

### **Goodwill**

Goodwill is the difference between the cost of the acquired entity and the value of the entity's net assets. In connection to the acquisition, the goodwill is accounted for as an asset in the balance sheet.

### **Intangible assets**

Intangible fixed assets are recognized at cost less accumulated depreciation/amortization and impairment. This implies that all expenditure to develop the intangible asset are expensed as they occur.

### **Property, plant and equipment (PPE)**

Intangible assets and PPE are recognized at cost less accumulated depreciation and potential write-downs.

Depreciation is on a straight-line basis over the estimated useful life, considering the residual value. The following depreciation percentages are applied:

### **Intangible assets**

Balanced expenditure for development	5
Concessions, patents, licenses, brands	5
Goodwill	5

### **Provisions**

Provisions include obligations against a third party which refer to the current or a previous financial year and which are likely to occur but the timing and value are uncertain.

### **Employee benefits**

Employee benefits refer to all forms of benefits that the company provides to employees. Short-term benefits include salary, paid vacation, paid absence, variable remuneration and benefits after termination of employment (pension). Short-term benefits are reported as cost and a debt when there is a legal or informal obligation to pay out compensation for a previous event and a reliable estimation of the amount can be made.

### **Share-based remuneration**

Share-based programs have been implemented after the financial year.

### **Accounting of share-based programs**

The true value of the employees' options and share-based programs is calculated through the Black & Scholes valuation model at the time of inception, whereby terms related to the share price are considered. The value is recognized as an employee expense in the income statement until the program is exercised. The recognized expense corresponds to the true value of the number of options and shares that are expected to be exercised. In the following periods, this expense is adjusted to reflect the true value of the program. An adjustment is however not carried out when options and shares are not exercised because the terms were not fulfilled.

### **Share-based programs in subsidiaries**

In the parent company, the estimated value of share-based programs for employees in other group companies is recognized as a capital injection to subsidiaries. If the value of shares in subsidiaries increases, equity in the parent company increases. The cost for employees in the specific companies is invoiced to each respective subsidiary and is paid in cash whereby value increases in subsidiaries is neutralized.

### **Compensation to employees post employment**

The company only has defined contribution pension plans. Defined contribution pension plans are where the company makes fixed contributions and has no other obligations besides these contributions.

Expenditure for defined contribution plans are expenses during the period which employees carry out their obligations in relation to the company.

## Definitions

### Net sales

The main revenue for the operations, invoiced costs, add-on revenues and revenue corrections.

### Equity/Assets ratio

Adjusted equity (equity and untaxed reserves adjusted for deferred tax) in relation to assets.

## Estimates and judgements

Consolidating accounts and applying accounting principles is often based on managements' expectations, estimates and presumptions which seem appropriate at the time of the decision. Estimates and judgements are based on historic experiences and a number of other factors, which under existing circumstances seem

reasonable. These are then used to evaluate book values of assets and liabilities, values which are not readily available in other sources. The final outcome may differ from these estimates and judgements. Estimates and presumptions are reviewed on a regular basis.

There are no significant sources of risk in estimates and presumptions made on the balance day which are expected to imply a significant risk for a sizeable adjustment of book values for assets and liabilities during the next financial year.

## Note 2 Remuneration to auditor

### Group

Auditor assignments refer to the audit of the annual report and accounting as well as the board's and CEO's management, other assignments which the auditor is responsible for and other counseling which is required based on conclusions from the audit or other assignments.

	2021	2020
<b>RSM</b>		
Audit assignment	348	73
	<b>356</b>	<b>73</b>
<b>PWC</b>		
Audit assignment	197	
Other assignments	92	
	<b>289</b>	

### Parent company

Auditor assignments refer to the audit of the annual report and accounting as well as the board's and CEO's management, other assignments which the auditor is responsible for and other counseling which is required based on conclusions from the audit or other assignments.

	2021	2020
<b>RSM</b>		
Audit assignment	80	
Other assignments	8	
	<b>88</b>	
<b>PWC</b>		
Audit assignment	197	270
Other assignments	92	323
	<b>289</b>	<b>593</b>

### Note 3 Purchase of products and services from closely-related parties

Group	2021	2020
Middelborg AS, Jonatan Raknes	1,200	1,200
	<b>1,200</b>	<b>1,200</b>

Middelborg AS had a consultancy agreement with Arcane Crypto AS related to the previous Chairman Jonatan Raknes for work that is outside the Chairman responsibilities. This agreement was terminated in December 2021.

### Note 4 Employees

Group	2021	2020
Average number of employees	21	15

### Note 5 Profit from shares in associated companies and jointly controlled entities

Group	2021	2020
Share of result for Pure and Alphaplate	-5,490	37
	<b>-5,490</b>	<b>37</b>

### Note 6 Interest expenses and similar items

Group	2021	2020
Non-recurring costs	-126,953	0
	<b>-126,953</b>	<b>0</b>

The acquisition of Arcane Crypto AS is recognized as a reverse take-over where the acquisition cost was determined based on the market price of Arcane Crypto AB's shares at the time of the acquisition. The value of Arcane Crypto AB at this point in time amounts to the value listed above and is recognized as a non-recurring cost (listing cost) since it cannot be recognized as goodwill because Arcane Crypto lacked other operations at this point in time.

### Note 7 Concessions, patents, licenses, brands and similar IP-rights

Group	Dec. 31, 2021	Dec. 31, 2020
Opening balance - cost	198	198
Purchases	4,090	0
<b>Closing balance - accumulated cost</b>	<b>4,288</b>	<b>198</b>
Opening balance - depreciation	-14	-14
Depreciation	-643	0
<b>Closing balance - depreciation</b>	<b>-657</b>	<b>-14</b>
<b>Closing balance - value</b>	<b>3,632</b>	<b>184</b>

### Note 8 Goodwill

Group	Dec. 31, 2021	Dec. 31, 2020
Purchase	55,904	0
<b>Closing balance - accumulated cost</b>	<b>55,904</b>	<b>0</b>
Depreciation	-8,377	0
<b>Closing balance - accumulated depreciation</b>	<b>-8,377</b>	<b>0</b>
<b>Closing balance - value</b>	<b>47,527</b>	<b>0</b>

Goodwill is reported in Arcane Crypto AS and relates to acquisitions of Kaupang Crypto AS in March and Ijort Invest AB (Trijo) in July. All book values for tangible assets are tested based on the present value of five years' free cash flows with a discount rate of 14%.

### Note 9 Inventories, tools and installations

Group	Dec. 31, 2021	Dec. 31, 2020
Opening balance - cost	140	66
Purchases	68,947	74
<b>Closing balance - accumulated cost</b>	<b>69,087</b>	<b>140</b>
Opening balance - depreciation	-66	0
Depreciation	-2,777	-66
<b>Closing balance - accumulated depreciation</b>	<b>-2,843</b>	<b>-66</b>
<b>Closing balance - value</b>	<b>66 244</b>	<b>74</b>

Investments in servers for mining operations are included in accounts for Arcane Green Data Services AS.



## Note 10 Shares in associated companies and jointly controlled entities

Group	Dec. 31, 2021	Dec. 31, 2020
Opening balance – cost	12,956	8,459
Purchases	2,351	4,497
Reclassifications	-7,108	0
<b>Closing balance – accumulated cost</b>	<b>8,199</b>	<b>12,956</b>
Opening balance – write-downs	-1,351	0
Write-down	-2,935	-1,351
<b>Closing balance – accumulated write-downs</b>	<b>-4,286</b>	<b>-1,351</b>
<b>Closing balance – value</b>	<b>3,913</b>	<b>11,605</b>

## Note 11 Holdings in other companies

Group	Dec. 31, 2021	Dec. 31, 2020
Opening balance – cost	2,164	0
Purchases	15,772	2,164
<b>Closing balance – accumulated cost</b>	<b>17,936</b>	<b>2,164</b>
<b>Closing balance – value</b>	<b>17,936</b>	<b>2,164</b>

Arcane Crypto AS investment in ITOAM Sarl (LN Markets).  
Share of capital 16%.

## Note 12 Other long-term receivables

Group	Dec. 31, 2021	Dec. 31, 2020
Opening balance – cost	3,513	0
Additional receivables	1,633	3,513
<b>Closing balance – accumulated cost</b>	<b>5,406</b>	<b>3,513</b>
<b>Closing balance – value</b>	<b>5,406</b>	<b>3,513</b>

Loans to Alphaplate Ltd 3,904 kSEK and to Arcane Asset personal 1,456 kSEK.

## Note 13 Other receivables

Group	Dec. 31, 2021	Dec. 31, 2020
Tax receivable related to current tax	2,349	5,108
Other items	124	0
	<b>2,473</b>	<b>5,108</b>

Parent company	Dec. 31, 2021	Dec. 31, 2020
Tax receivable related to current tax	1,269	106
	<b>1,269</b>	<b>106</b>

## Note 14 Prepaid costs and accrued income

Group	Dec. 31, 2021	Dec. 31, 2020
Completed work but not yet invoiced	9,836	0
Prepaid rental costs	289	0
Accrued income	844	0
	<b>10,969</b>	<b>0</b>

Work that has been completed but not yet invoiced in Arcane Crypto Asset Management. Accrued income relates to Kaupang Krypto which receives a reduced tax cost for its R&D investments through the Skattefunn-program in Norway.

Parent company	Dec. 31, 2021	Dec. 31, 2020
Prepaid insurance premiums	13	1,762
	<b>13</b>	<b>1,762</b>

## Note 15 Other debt

Group	Dec. 31, 2021	Dec. 31, 2020
<b>Short-term debt</b>		
Other debt	17,545	0
(Arcane Green Data), interest-bearing	11,888	7,788
<b>Other liabilities, non interest-bearing</b>	<b>29,433</b>	<b>7,788</b>

## Note 16 Adjustments for items that are not included in the cash flow

Group	Dec. 31, 2021	Dec. 31, 2020
Depreciation	11,499	66
Non-recurring cost for reversed take-over	126,953	
	138,452	66
<b>Parent company</b>	<b>Dec. 31, 2021</b>	<b>Dec. 31, 2020</b>
Depreciation	-49	0
	-49	0

## Note 17 Other interest income and similar items

Parent company	Dec. 31, 2021	Dec. 31, 2020
Interest income from group companies	-1,732	0
	-1,732	0

## Note 18 Shares in group companies

Parent company	Dec. 31, 2021	Dec. 31, 2020
Acquisitions	326,762	900
<b>Closing balance – accumulated cost</b>	<b>326,762</b>	<b>900</b>
Divestments		-200,144
<b>Closing balance – accumulated value</b>		<b>-200,144</b>
Opening balance – write-downs		199,244
Write-downs		0
<b>Closing balance – write-downs</b>		<b>199,244</b>
<b>Closing balance – value</b>	<b>326,762</b>	<b>0</b>

## Note 19 Information on holdings in group companies

Parent company Name	Share of capital	Share of votes	Book value	
Arcane Green Data Holding AS	100%	100%	30	
Arcane Crypto AS	100%	100%	326,732	
			362,762	
	Org.nr	Location	Equity	Profit
Arcane Green Data Holding AS	927407183	Oslo	2,370	2,302
Arcane Crypto AS	994608673	Oslo	-13,324	-39,938

## Note 20 Receivables from group companies

Parent company	Dec. 31, 2021	Dec. 31, 2020
Additional receivables	150,717	2,100
Re-classifications		-2,100
<b>Closing balance – accumulated cost</b>	<b>150,717</b>	<b>0</b>
<b>Closing balance – value</b>	<b>150,717</b>	<b>0</b>

Receivables in Arcane Crypto AS and Arcane Green Data Services AS.

## Note 21 Number of shares and quota value

Parent company	Number of shares	Quota value
Number of shares	8,505,700,189	0.05
	8,505,700,189	

## Note 22 Events after the reporting period

Kaupang Krypto, a wholly-owned subsidiary by Arcane Crypto AS, announced that it had entered into a collaboration with NFT AS and Sam Farao in January 2022, to acquire Bjarne Melgard's first crypto collection "The Lightbulb Man".

Anna Svahn announced that she is leaving the board in February 2022 due to other obligations.

In March 2022, the Board decided on a rights issue based on the exercise of employee options.

The entire holding in Alphaplate Ltd was sold in January 2022. The holding in Alphaplate is written down by 2,322 kSEK on December 31, 2021 to reflect the realized value.

The following assure that the Annual Report has been set up in accordance with Annual Accounts Act and proper accounting practices, that current accounting standards have been applied and that the information herein accurately reflects the business.

Stockholm, April 19, 2022

Michael Jackson  
*Chairman*

Kristian Kierkegaard

Simon Saneback

Viggo Leisner

Torbjörn Bull Jenssen  
*Chief Executive Officer*

My Auditor's Report has been provided on date according to electronic signature

Karl-Henrik Westlund  
*Authorized Public Accountant*

# Auditor's Report

**To the Annual General Meeting in Arcane Crypto AB  
Org.nr 556668-3933**

## **Report on the annual accounts and consolidated accounts**

### **Opinions**

I have audited the annual accounts and consolidated accounts of Arcane Crypto AB for the financial year 2021.

In my opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of December 31, 2021 and their financial performance and cash flow for the year in accordance with the Annual Accounts Act. The statutory Board of Directors' Report is consistent with the other parts of the annual accounts and consolidated accounts.

I therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

### **Basis for Opinions**

I have conducted the audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. My responsibility under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

### **Responsibilities of the Board of Directors and the Chief Executive Officer**

The Board of Directors and the Chief Executive Officer (CEO) are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibility**

My objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. I also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts. My conclusions are based on the audit evidence obtained up to the date of this Auditor's Report. However, future events or

conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions.

I must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. I must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that I identified.

## Report on other legal and regulatory requirements

### Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of the Board of Directors and the CEO of Arcane Crypto AB for the financial year 2021 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Board of Directors' Report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

### Basis for Opinions

I conducted the audit in accordance with generally accepted auditing standards in Sweden. My responsibilities under those standards are further described in the Auditor's Responsibilities section. I am independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled my ethical responsibilities in accordance with these requirements.

I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my opinions.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's

affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibility

My objective concerning the audit of the administration, and thereby my opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, I exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on my professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. I examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to my opinion concerning discharge from liability. As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act.

Stockholm, date according to electronic signature

Karl-Henrik Westlund  
Authorized Public Accountant



**arcane**