

# Interim Report

Q3 2021 | January - September



# A pivotal quarter, positioning Arcane for future growth



Q3 has been an important quarter for Arcane. We have successfully launched our mining business, using renewable energy, and are on track to become cash flow positive from the start of next year, given current market conditions. We have hired a new CFO and are now in the process of appointing new board members, including a very experienced chairman.

We see an increased upside in Pure Digital and LN Markets, two of our portfolio companies, and have made important progress on the new unified Arcane platform, launching the first iteration together with this report. While this first version mostly looks like a new design, a lot of the heavy lifting on the backend has already been done and new features and products will be rolled out efficiently on the platform over the coming quarters.

Torbjørn Bull Jensen, CEO Arcane Crypto

## The third quarter of 2021

(compared to the third quarter of 2020)

- Group revenue increased to 81,166 kSEK (571)
- EBITDA amounted to –6,059 kSEK (–3,085)
- EBIT amounted to –8,105 kSEK (–3,133)
- The result for the period amounted to –7,766 kSEK (–2,833)
- Earnings per share before dilution amounted to –0,001 SEK (–0,005)
- Earnings per share after dilution amounted to –0,001 SEK (–0,005)

## The first nine months of 2021

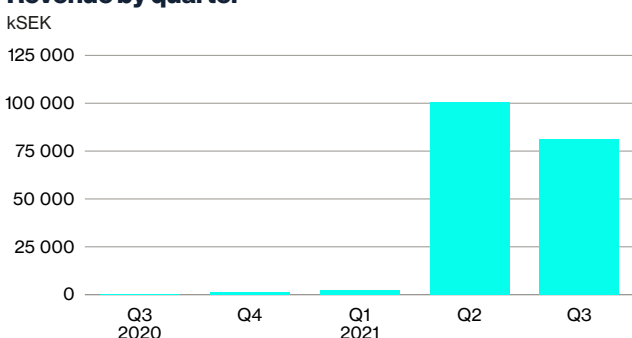
(compared to the first nine months of 2020)

- Group revenue increased to 183,695 kSEK (879)
- EBITDA amounted to –18,586 kSEK (–7,454)
- EBIT amounted to –21,731 kSEK (–7,505)
- The result for the period amounted to –150,872 kSEK (–7,343)
- Adjusted result for the period amounted to –23,919 kSEK (–7,343)
- Earnings per share before dilution amounted to –0,019 SEK (–0,014)
- Earnings per share after dilution amounted to –0,018 SEK (–0,014)

### Financial overview

kSEK	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Revenue	81,166	571	183,695	879	2,103
Operating expenses	–87,225	–3,656	–202,281	–8,333	–19,915
EBITDA	–6,059	–3,085	–18,586	–7,454	–17,812
Total assets	187,217	42,462	187,217	42,462	41,243
Total liabilities	22,793	10,748	22,793	10,748	9,042
Equity	164,424	31,714	164,424	31,714	32,202

### Revenue by quarter



Please note that neither LN Markets, Alphaplate nor Puremarkets are consolidated into Arcane's accounts. These associated companies are instead accounted for in accordance with the equity method and Arcane's share of ownership.

# Main events

## Main events during Q3 2021

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- On July 2nd, Arcane Crypto completed the acquisition of Ijort Invest AB (Trijo).
- On July 21st, Arcane Crypto's London based associated company Puremarkets Limited (trading as Pure Digital), in which Arcane has a 37.5% ownership, announced that Bank of New York Mellon has joined the consortium of banks working with the interbank wholesale marketplace to develop a platform to support the entire digital asset life cycle.
- On July 29th, Arcane Crypto announced that the company will be included in CoinShares Elwood Global Blockchain Index as of August 2, 2021.
- On July 30th, Arcane Crypto announced a collaboration between its wholly owned subsidiary Ijort Invest AB (Trijo) and the payment service provider Trustly.
- On August 9th, Arcane Crypto informed that the company will be included in the Melanion BTC Equities Universe UCITS ETF.
- On August 30th, Arcane Crypto carried out a directed issue of 300,925,294 units consisting of one share and one warrant, raising proceeds of approximately 61.1 MSEK before deduction of transaction costs. Upon full exercise of the warrants Arcane Crypto will receive proceeds amounting to approximately an additional 73.3 MSEK.
- On September 8th, Arcane Crypto ordered its first batch of bitcoin miners through its subsidiary Arcane Green Data Services, at a total cost of approximately 35 MSEK. The miners have become operational during the quarter.
- On September 14th, Arcane Crypto's wholly owned subsidiary Kaupang Krypto AS launched a service for automatic saving in all cryptocurrencies available on the platform.
- On September 14th, Arcane Crypto's London based associated company Puremarkets Limited (trading as Pure Digital), in which Arcane has a 37.5% ownership, announced the successful execution of a live test trade via Zodia Custody on its wholesale digital currency trading platform.
- On September 14th, Arcane Crypto's wholly owned subsidiary Ijort Invest AB (Trijo) launched Trijo Autopilot, a service for automatic saving in Bitcoin, Ethereum and Litecoin - becoming the first Swedish player to do so.
- Arcane Crypto was joined by Oisín Zimmerman as the new Chief Technology Officer.
- Arcane Assets grew with the addition of Natalia Goldin Lundh, who joined as Head of Business Development.
- Arcane Research was strengthened with the addition of Anders Helseth as a Senior Analyst.

## After the end of the period

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- On October 4th, Linus Jönsson was appointed as the new Group CFO of Arcane Crypto. Linus will assume his role on January 10th, 2022, replacing Interim CFO Per-Olov Östberg.
- On October 19th, Arcane Green Data announced it had partnered with Luxor Technology Corporation and had gone live with current hosting capacity of miners.
- On October 26th, Arcane Green Data announced that it has ordered a second batch of miners, due for delivery in January 2022.
- On October 28th, the Nomination Committee proposed that Michael Jackson is elected as Chairman of the Board and that Simon Saneback is elected as new member of the Board. An Extraordinary General Meeting will be convened to decide on the proposal.

# Letter from the CEO

## Dear shareholders,

Q3 has been an important quarter, as Arcane has made meaningful progress in the following important areas:

1. We have started Bitcoin mining
2. We have hired a great CFO
3. We have started building a unified Arcane customer experience

Our mining operation, based on the use of renewable energy, went live just after the end of the quarter. We have ordered a second batch of machines with delivery in Q1 next year, which will double the capacity of our operation. The mining business is currently highly profitable, and we expect substantial revenues from this business unit going forward. With the support of the mining operation, the Arcane Group as a whole is now on track to become cashflow positive from the start of next year, given current market conditions.

Looking at the financials, our gross profit increased by 35% in Q3 2021 compared to the previous quarter, from 5.5 MSEK to 7.4 MSEK. We expect to grow our gross profit substantially over the coming quarters.

During the quarter, we have also hired an experienced CFO to the management team who will help us strengthen the finance function within the company and we are now in the process of appointing new board members, including a very experienced chairman.

Finally, we have begun the process of consolidating our portfolio of companies into a cohesive whole, building a unified Arcane customer experience. In the future, people will be able to create one Arcane account to learn about the crypto market through our industry leading research and analysis, execute trades, and invest for the long term through various investment products.

The first iteration of a unified customer experience can be seen today by visiting [www.arcane.no](http://www.arcane.no). This new website represents the first step in a multi-quarter effort to build a unified backend using cutting edge Google Cloud Platform technology. A unified backend will enable us to deliver a superior customer experience on the web, Android and iOS.

While giving our customers an improved experience, this unified approach will also help improve the bottom line. A user reading our research today will be seamlessly able to trade on our platform tomorrow. Customer acquisition costs should fall, while our customers' lifetime value should increase.

Our goal with the new platform is to enable you to learn, trade and invest in crypto with confidence and ease. We start with research, asset management and trading, and expect to expand to payments and other complimentary services over time. This work will be carried out through a combination of organic and acquired growth.

By adding mining, solidifying the balance sheet, hiring a new CFO and making real tangible progress on the product and engineering front, we see Q3 2021 as a pivotal quarter, positioning us incredibly well for the future.



**Torbjørn Bull Jenssen**  
CEO, ARCANE CRYPTO

# Sector Development

## A quarter of accumulating activity and bullish news flows, priming the bitcoin market for solid momentum going into the last few months of the year.

Bitcoin showed impressive strength this quarter, seeing quarterly gains of 25%. Bitcoin's steady growth this quarter is particularly impressive when taking into account the uncertainty in the global financial markets and Bitcoin itself seeing near half its hashrate evaporate following the Chinese mining ban. This quarter once again reminded us that bitcoin is resilient and will continue to come out stronger.

In September, bitcoin further matured as an asset, with El Salvador becoming the first nation to adopt bitcoin as legal tender, seeking to utilize bitcoin and the Lightning Network to vastly improve the remittance flows and attract more investment into the country. Additionally, Twitter launched a payment solution enabling users to send funds to other users using bitcoin both on-chain and through the Lightning Network. This news has led the Lightning Network to prosper, with the public BTC capacity of the Lightning Network seeing a growth of 181% from January 1st until September 30th 2021.

The quarter was also massive on the institutional side. Institutions such as Bank of New York Mellon, State Street, Bank of America, JP Morgan, Wells Fargo, Citi, Morgan Stanley and Visa all became more involved in building crypto-related infrastructure and offering digital asset products.

Further, Q3 saw positive developments in the everlasting U.S. bitcoin ETF discussion. Since 2013 several funds have tried launching bitcoin ETFs, to no avail. The SEC has rejected all applications, citing concerns over risks of market manipulation within the bitcoin market due to the high concentration of the trading activity in bitcoin occurring on unregulated markets. However, in August, SEC Chairman Gary Gensler publicly stated that the SEC was looking forward to reviewing the bitcoin ETF applications, particularly those limited to the CME-traded bitcoin futures. In the following days and weeks, household ETF providers such as ProShares, Invesco and VanEck filed for a futures-based ETF, along with several others. On October 18th, 2021, after more than eight years of unsuccessful attempts, ProShares' bitcoin ETF, BITO, was approved and began trading the day after. This approval from the SEC signals that the bitcoin market has matured, while also indicating that the SEC views the risks of market manipulation in bitcoin as decreasingly relevant.

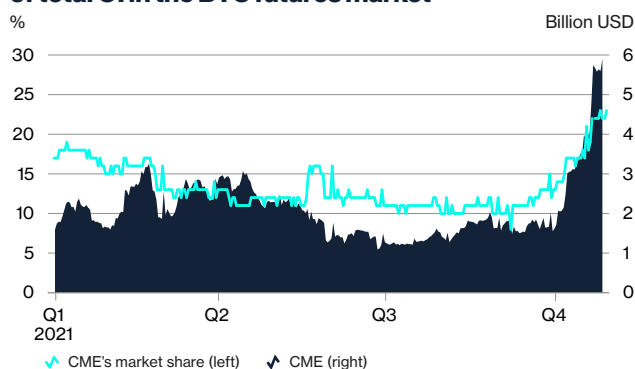
The ETF approval provided easy access to bitcoin for a new group of institutional investors and the demand for such exposure was clear from day one of the ETF launch. On its first trading day, the ETF reached a trading volume

of USD 1 billion, and after two days, the fund surpassed USD 1 billion in assets. No other ETF has exceeded the USD 1 billion AUM milestone faster. The previous record was held by SPDR Gold Shares, which hit the milestone three days after its debut in November 2004.

In the upcoming months, we could see further developments within the ETF landscape as there currently are 12 spot-based ETF filings awaiting a response from the SEC from entities such as Fidelity, ARK and VanEck.

The ETF launch has led the institutional trading activity in bitcoin to blossom. The Chicago Mercantile Exchange has now become the dominating entity in the bitcoin futures market after its open interest recently surpassed the open interest on Binance. Meanwhile, the futures premiums on the CME have climbed up towards 10% annualized, indicating that the institutional demand to allocate capital to bitcoin is currently high.

### CME Bitcoin Futures: Open interest (OI) and share of total OI in the BTC futures market



# Business Unit Development

## Arcane Assets\*

Arcane Assets' revenues amounted to 3,532 kSEK in Q3 2021 compared to 2,710 kSEK in Q2 2021. For the first 9 months of 2021 revenues amounted to 8,043 kSEK compared to 248 kSEK for the same period 2020.

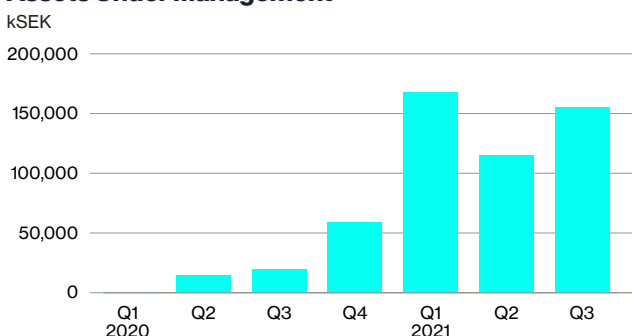
Arcane Assets is the entity that provides fund management services to our Fund, with Eric Wall as Chief Investment Officer (CIO).

Since its inception in 2020, the Fund managed by Arcane Assets has outperformed both bitcoin and other cryptocurrency hedge funds, as measured by the Eureka Cryptocurrency Hedge Fund Index. During the quarter we have focused our efforts on preparing the fund for scale up.

Arcane Assets has focused on developing the structure for the Exchange-Traded Product (ETP) which is based on Arcane's cryptocurrency fund, together with Valour. The documentation and mechanics are close to being finalized with the launch expected to take place early next year. Upon its launch, the ETP will provide Arcane Assets with a significantly improved distribution and with a solid foundation for increased growth.

Arcane Assets is focused on building a strong investor pipeline of both High-Net-Worth Individuals, family offices and fund of funds that are interested in access to a cryptocurrency hedge fund. Arcane Assets is also exploring the possibility of becoming depository-lite compliant. This would provide us with the ability to market the cryptocurrency fund to EU investors.

## Assets Under Management



\* Nothing in this document constitutes an offer or invitation to subscribe to units or shares of an AIF or to invest in Arcane Assets Fund Limited. The Fund is only available to Professional Investors as defined by MIFID II. Past performance is not an indication of future results.

## Arcane Research

Arcane Research's revenues in Q3-2021 amounted to 1,353 kSEK compared to 657 kSEK in Q2 2021. For the first 9 months of 2021 revenues amounted to 2,218 kSEK compared to 416 kSEK for the same period 2020.

Arcane Research has seen another record quarter and continues to build its trusted brand in the crypto industry. The analyst team has now doubled in 2021 with another key hire in Q3, enabling Arcane Research to respond to increased demand from clients.

Arcane Research continues to see growth in demand for institutional-grade crypto research. This is reflected by the 25% growth of the subscription base for the weekly market report, more demand for consulting services, weekly coverage in the financial press and the continued partnerships with BlockFi with a biweekly market report for its institutional investors.

The main focus of the quarter was the preparation and research of the in-depth report "The State of Lightning", that was published in October. The team spoke to founders and developers all over the world, gathering information and data, to be able to understand the exponential growth we're currently seeing within the Lightning Network. This resulted in a 60-page industry leading report. This was in collaboration with one of the main players within the Lightning sector, Lightning Labs, and was powered by a leading Bitcoin payment company globally, OpenNode. The Arcane Research team plans to publish updated reports on the development within the Bitcoin Lightning Network over time, in order to establish a new benchmark report in the crypto industry.

Arcane Research is prepared for further client demand during the last quarter of 2021. The Lightning report will be presented at the Adoption Bitcoin Conference in El Salvador, and a part of the team will attend physically. Through the launch of several new initiatives, e.g. a new Friday newsletter, the subscription base is expected to grow further and increase the visibility of Arcane Research and strengthen the brand.

## Kaupang

Kaupang was acquired by Arcane Crypto at the end of Q1, on March 26, 2021. Following the acquisition, the focus has been on developing a dedicated premium offering for clients executing larger trades needing deep liquidity, in addition to the integration of Teslacoil. The work with the Teslacoil integration is currently on hold, awaiting further developments of the new unified Arcane platform.

During Q3, Kaupang continued to strengthen its premium offering to large private customers and businesses and launched an insured custody offering during the quarter. The premium offering now includes an OTC-desk, a dedicated account manager, access to voice-trading and trading over chat, as well as institutional grade custody.

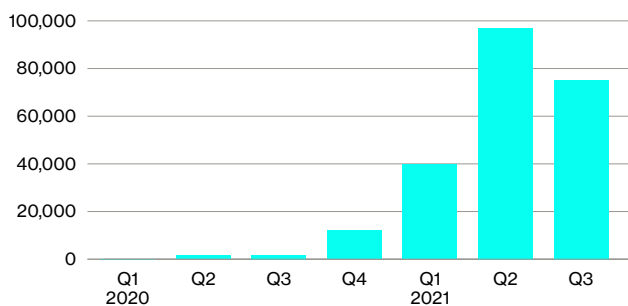
In addition, Kaupang rolled out a recurring buy feature for all users in Q3, built on the experiences from the beta testing in Q2, and started piloting market making on Trijo.

Regarding trading activity, Kaupang saw a 30% drop in gross turnover from Q2, compared to a general 41% drop in the market (bitcoin volume). Net revenue in Q3 2021 accounted for 75,262 kSEK compared to 97,245 kSEK in Q2 2021.

As for the technical road map going forward, the plan is to move Kaupang over to the new Arcane platform over time, for a seamless integration with several other Arcane services.

### Kaupang

Gross trading volume, kSEK



## Arcane Green Data

Arcane Green Data is a new business unit, currently under development, which will focus on Arcane's mining strategy. Arcane Green Data has entered into a lease agreement for hosting capacity for bitcoin miners of up to 2.5 MW in Norway, using hydro power, half of which will become available from Q1 2022.

During Q3, Arcane Green Data ordered its first batch of bitcoin miners, at a total cost of approximately 35 MSEK. After the period, Arcane Green Data announced that it had partnered with Luxor and had gone live with the current hosting capacity of miners.

Arcane Green Data has now also agreed the purchase of the second batch of mining computer equipment, 36,000 TH of computing capacity at a total cost of around 28 MSEK, scheduled for delivery in January 2022. At current market conditions, as of the time of writing, with a total hash rate of approximately 160 million EH/s, a bitcoin price of 63,000 USD and our total capacity of approximately 75,000 TH, our mining operation represents a monthly revenue potential of approximately 10 MSEK for Arcane Green Data.

## Trijo

On June 23, 2021, Arcane Crypto received regulatory approval from the Swedish Financial Supervisory Authority to become the owners of Trijo. The acquisition of Trijo was completed through a directed set-off issue of shares in Arcane Crypto to the sellers on July 2, 2021. Trijo is consolidated into Arcane's accounts as of Q3 2021.

In Q3, Trijo announced its collaboration with the payment service provider Trustly. This makes Trijo the first cryptocurrency exchange to offer its clients Trustly as a payment option in Europe. Following the collaboration, the trading volume on Trijo increased by 150% since the launch (June-July vs August-September).

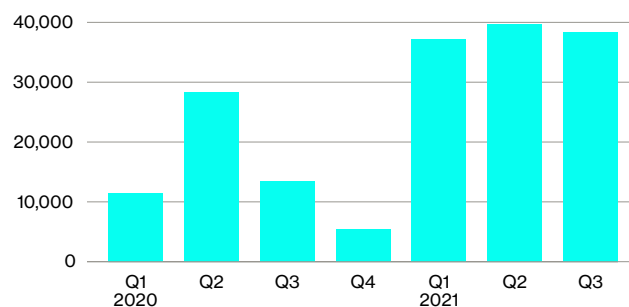
In addition, Trijo launched its "Autopilot" functionality during the quarter. This makes Trijo the first Swedish crypto company to offer a dollar cost average (DCA) product, which allows users to buy bitcoin as frequently as every hour.

Following the acquisition of Trijo, Arcane's objective is to accelerate both product development and marketing. Arcane has begun work on a unified operation and infrastructure across Kaupang and Trijo, which will include deep integration with Teslacoil to enable Lightning transactions and payments.

Trijo is an exchange for digital currencies where customers are offered a digital wallet where they deposit euro on their account. Trijo charges a fee on the amount that the customer deposit to their account. The account balance can be used to acquire Bitcoin, Ethereum or Litecoin. Trijo is never part in any transaction, but offers the platform for the exchange. Q3 2021 revenue accumulated to 525 kSEK.

### Trijo

Gross trading volume, kSEK



## Puremarkets

The Company owns 37.5% of Puremarkets. Puremarkets is building an interbank marketplace for cryptocurrency price discovery and exchange of wholesale risk via their Pure Digital platform. Pure Digital will provide a best-in-class primary wholesale marketplace, with a consortium of banks as liquidity providers, custodians, and clearers. The management team brings many years of experience at top-tier banks and have successfully delivered a similar platform for the FX market.

Puremarkets have seen steady development in Q3. During the period they announced that Bank of New York Mellon has joined the consortium of banks working with the interbank wholesale marketplace to develop a platform to support the entire digital asset life cycle. The team also successfully executed their live first test via Zodia Custody on the Pure platform.

Puremarkets continues to see interest this quarter, both from tier one investment banks in participating on the platform and from various settlement, risk, custody and other digital asset services providers looking to integrate their services to the Pure Digital platform. Puremarkets have begun to hold regular meetings with the banks that intend to use the platform to discuss regulation, custody, settlement and the next steps prior to testing and integration.

Puremarkets submitted their application to the UK's Financial Conduct Authority to register as a crypto asset business under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 in Q2 2021. In conjunction with this and in relation to the development of the platform in general, the team have been working with the law firm, Hogan Lovells. The firm is widely regarded for their market-leading expertise in financial services and digital assets and is experienced in implementing innovative digital and technology solutions whilst managing legal and regulatory risk.

At the end of the period there were 6 LOIs in place with Tier 1 investment banks, two of which have already been announced (State Street and Bank of New York Mellon).

## LN Markets

On April 16, 2021, Arcane Crypto entered into an investment agreement to increase its ownership in LN Markets from 7% to around 16% via a cash investment of 1,500,000 EUR (equivalent to 15,356 kSEK). LN Markets is a trading platform built on the Bitcoin Lightning Network and uses bitcoin, paid and settled over the Lightning Network, as collateral for derivatives trading.

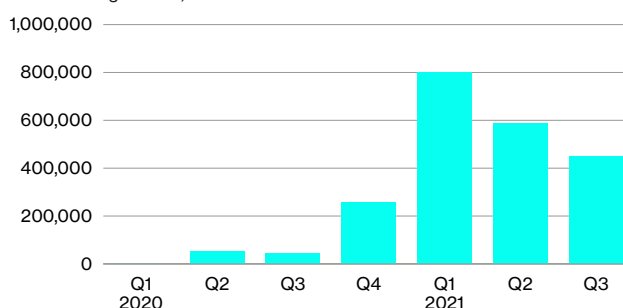
During Q3, the total volume traded on the LN Markets platform was 53 MUSD (equivalent to 449,922 kSEK), down 19% from 65 MUSD in Q2 2021 (equivalent to 551,792 kSEK), compared to a general market drop in trading activity (bitcoin spot) of 41%. While the trading volume correlated with market sentiment, LN Markets continued to see a strong increase in their user base, up 35%.

LN Markets provides access to instant and low-cost derivatives transactions using the Bitcoin Lightning Network. LN Market's setup and APIs further enables easy integration with other services such as trading systems and bitcoin lightning wallets. As an example, LN Markets is now integrated with the node platform Umbrel.

On the product development front, LN Markets has added a market data visualization module for options and are now working on developing the trading module, on a broker model.

### LN Markets

Gross trading volume, kSEK



## Alphaplate

During the second quarter of 2021, Arcane held 45% of Alphaplate and this remained unchanged during the period. Alphaplate has prioritized integration with Zodia Custody as a market maker, which is now complete. They have continued their market making activity on Group company, Trijo.

They reported an estimated loss for Q3 of 99,542 GBP (equivalent to 1,170 kSEK).



# Financials

Following the Reverse Takeover, Arcane Crypto AS has been consolidated into Arcane Crypto AB from the start of 2021.

However, as the transaction was a Reverse Takeover, it is Arcane Crypto AS that is seen as the acquiring party from a financial reporting perspective for the Group.

The financial statements have been prepared in accordance with the company accounting policies, aligned with BFNAR Annual Reports and Consolidated Financial Statements (K3) and the Annual Accounts Act (Sw. Årsredovisningslagen), which are the basis for all reports. The financial statements are prepared on the basis that the acquisition is reported as a Reverse Takeover in accordance with K3 19.6. and Chapter 7 Section 23 of the Annual Accounts Act.

## Comments July – September 2021 and January – September 2021

### Income statement

The strong growth in revenue continued in this period and with the inclusion of Kaupang (Q2 2021) and Trijo (Q3 2021) the Group had a revenue of 183,555 kSEK in the first 9 months of 2021 compared to 879 kSEK for the same period last year. EBITDA was -18,586 kSEK in the same period compared to -7,454 kSEK for the same period last year. For Quarter 3 2021 the Group had a revenue of 81,165 kSEK compared to 571 kSEK for the same period last year. EBITDA was -6,059 kSEK in the same period compared to -3,085 kSEK for the same period last year.

Please note that neither Alphaplate, LN Markets nor Puremarkets are consolidated into Arcane's accounts. These portfolio companies are instead accounted for in accordance with the equity method and Arcane's share of ownership. Result from participation of the associated companies accounted for -3,994 kSEK for the first 9 months and -1,291 kSEK for Q3 2021. Note that the results in Alphaplate are estimates.

The acquisition of Arcane Crypto by then Vertical Ventures is accounted for as a Reverse Takeover in the consolidated Group statements, which leads to technical cost item included in Interest expense and other financial costs recognized in Q1 2021.

Revenue generated by Kaupang is from cryptocurrency booked according to the accounting principle of goods (in Norway NRS 1). When selling cryptocurrency to customers, the acquisition cost is expensed as the cost of goods and the sales value of the cryptocurrency is recognized as sales revenue. When Kaupang acquires

cryptocurrencies from a customer and off-sets the trade by exchanging the cryptocurrencies with another counterparty, the off-setting trade is classified as sales revenue while the purchase from the customer is classified as the cost of goods.

### Balance sheet

After the consolidation in accordance with the Group accounting principles, intangible assets have increased (mainly goodwill from the acquisition of Kaupang & Trijo) by 57,400 kSEK.

In Q3 2021 Arcane founded Arcane Green Data, investing 35,978 kSEK in mining hardware. Arcane Green Data has now begun mining bitcoin in Norway.

Investment in Financial Assets was 17,244 kSEK through the cash investment in IOTAM (LN Markets).

The successful directed issue in Q1 2021 increased the cash balance and equity by 49,500 kSEK. In Q3 2021, Arcane conducted another successful directed issue of 61,000 kSEK in order to finance the investment in Arcane Green Data. Consolidated equity as of 30th of September was 164,424 kSEK which was a net increase of 132,710 kSEK compared to the same period last year. Current liabilities amounted to 22,793 kSEK which was a net increase of 12,045 kSEK compared to the same period last year. This is mainly driven by an accrual of 3,725 kSEK for social charges related to warrants and the consolidation of current liabilities in Kaupang (6,073 kSEK) and in Trijo (5,003 kSEK).

In the applicable accounting rules for the Reverse Takeover the acquired entity, Arcane Crypto AS, is seen as the surviving entity in the Group accounts. The consolidated changes in equity shall be compared against previous accounts for the surviving entity. Adjustment to align with the share capital in the legal parent company is presented on a separate line in the statement of changes in equity.

### Cash flow

Investments in intangible fixed assets are related to goodwill from investments in subsidiaries and cash flow from financing activities is related to the completed directed share issue (private placement) in the first quarter. During the period 68,202 kSEK was invested in the acquisition of Kaupang and Trijo, increased ownership in other companies (LN Markets) and the investment in hardware for the operation of Arcane Green Data. All of this was mainly financed through the two private placements with a total of 110,882 kSEK.

# The Share & Shareholders

## Shareprice and volume since start of trading Arcane Crypto



As of 30th December 2020, there were 6,593 shareholders holding 540,072,401 shares in Arcane available for trade. After the Reverse Takeover of Arcane Crypto the number of shareholders has grown from around 6,000 to around 28,518 shareholders holding 8,505,700,189 shares on 30th September 2021.

During the first 9 months 11,889,615,863 shares were traded at an average price of 0.31 SEK per share, a total traded value of over 3,680 MSEK.

## Top 10 Shareholders, September 30, 2021

kSEK	Number of shares	% of shares
Middelborg Invest AS	2,239,718,215	26.33%
Arctic Securities AS	1,750,231,923	20.58%
Modiola AS	540,833,759	6.36%
Klein Invest AS	513,486,315	6.04%
Hortulan AS	314,015,268	3.69%
BNY Mellon SaNV	264,426,887	3.11%
Skandinaviska Enskilda Banken AB (publ) Oslofili	212,017,399	2.49%
Bulltech AS	155,718,793	1.83%
Muunilinst AS	154,142,795	1.81%
CBLDN-Barclays Bank PLC	139,224,809	1.64%
<b>Sum top 10</b>	<b>6,283,816,163</b>	<b>73.88%</b>
Other	2,221,884,026	26.12%
<b>Total number of shares</b>	<b>8,505,700,189</b>	<b>100%</b>

# Additional comments

## Organization and Employees

As of the end of Q3, the Group has a total of 21 full-time employees across the various business units and wholly owned subsidiaries. Additionally, there are 9 part-time employees / consultants assisting the teams.

## Significant Risks and Uncertainty

Arcane Crypto operates in the cryptocurrency industry, which is still largely unregulated and subject to continual and rapid technological and regulatory changes. There are uncertainties related to the development of the cryptocurrency market, including its future size, and the future success of Arcane Crypto's business is, therefore, difficult to predict. The legal status of cryptocurrencies varies between different countries and is very much in transition.

There exists a lack of regulatory consensus concerning the regulation of cryptocurrencies in Europe. Future regulatory or political developments could adversely affect markets for cryptocurrencies, their adoption, and ultimately, their prices.

Please see the company description published by Arcane Crypto AB (then Vertical Ventures) on 21st December 2020 prior to the Reverse Takeover for further description of the business of the company and associated risk factors.

## Accounting Principles

The financial statements have been prepared in accordance with BFNAR Annual Reports and Consolidated Financial Statements (K3) and the Annual Accounts Act (Sw. Årsredovisningslagen), which are the accounting principles that are the basis for Vertical Ventures' annual reports. The pro forma financial statements are prepared on the basis that the acquisition is reported as a Reverse Takeover in accordance with K3 19.6. and Chapter 7 Section 23 of the Annual Accounts Act.

## Transactions with Closely Related Parties

Arcane Crypto has a consultancy agreement with Middelborg AS, regarding the work performed by Jonatan Raknes (Chairman of the Board) beyond his normal duties as Chairman of the Board. According to the agreement Middelborg is entitled to a monthly fee of approximately 100 kSEK plus VAT.

## Financial Calendar

Date	Event
25 February 2022	Interim Report Q4 and Year-End report 2021

## Contact

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This Report has not been subject to review by the company's auditor. The information disclosed in this Interim Report is mandatory for Arcane Crypto AB to publish pursuant to the EU's Market Abuse Regulation (MAR). This information was submitted for publication at 08:00 a.m. (CET) on 29th October 2021, through the agency of the CEO.

The Company is listed on Nasdaq First North Growth Market and Mangold Fondkommission is Certified Adviser, tel. +46 8 5030 1550  
e-mail: [ca@mangold.se](mailto:ca@mangold.se)  
web: [www.mangold.se](http://www.mangold.se)

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Norway

# Consolidated Income Statement

kSEK	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Net sales	81,165	571	183,555	879	1,941
Other operating income	1	-	140	-	162
<b>Total Revenue</b>	<b>81,166</b>	<b>571</b>	<b>183,695</b>	<b>879</b>	<b>2,103</b>
<b>Operating expenses</b>					
Cost of goods sold	-73,722	-	-168,557	-	
Other external expenses	-5,773	-1,459	-17,278	-2,290	-10,923
Personnel costs	-7,730	-2,197	-16,446	-6,043	-8,992
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-6,059</b>	<b>-3,085</b>	<b>-18,586</b>	<b>-7,454</b>	<b>-17,812</b>
Depreciation and write-downs of intangible fixed a	-2,046	-48	-3,145	-51	-66
<b>Operating profit</b>	<b>-8,105</b>	<b>-3,133</b>	<b>-21,731</b>	<b>-7,505</b>	<b>-17,878</b>
Profit from participation in associated companies	-1,259	448	-3,950	448	37
Interest income and other financial income	2,260	8	2,285	20	1,193
Interest expenses and other financial costs*	-662	-156	-127,476	-306	-228
<b>Total financial items</b>	<b>339</b>	<b>300</b>	<b>-129,141</b>	<b>162</b>	<b>1,002</b>
<b>Profit after financial items</b>	<b>-7,766</b>	<b>-2,833</b>	<b>-150,872</b>	<b>-7,343</b>	<b>-16,876</b>
<b>Profit before tax</b>	<b>-7,766</b>	<b>-2,833</b>	<b>-150,872</b>	<b>-7,343</b>	<b>-16,876</b>
Tax on profit for the period	-	-	-	-	-
<b>The result of the period*</b>	<b>-7,766</b>	<b>-2,833</b>	<b>-150,872</b>	<b>-7 343</b>	<b>-16,876</b>
Adjusted result for the period excluding the "technical" write down	-7,766	-2,833	-23,919	-7,343	-16,876

\* Accounting-wise the Group is seen as acquiring Vertical Ventures at market price at the time of closing (0.235 SEK per share). As there were no operations in Vertical Ventures before closing of the Reverse Takeover, the purchase price cannot be allocated to goodwill, hence the entire acquisition price is accounted for as Other financial costs, in the Group income statement. This is purely a technical accounting matter, has no cash flow effect and does not impact the operational strength of the operations of the Group. Hence, Arcane also presents an adjusted result for the period (excluding this cost item of 126,917 kSEK), which, according to the Company's opinion, better reflects the financial performance of the Group in the period.

## Net earnings per share

	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
<i>Before dilution</i>					
Number of shares	8,505,700,189	540,072,401	8,505,700,189	540,072,401	540,072,401
Weighted average	8,279,711,253	540,072,401	7,916,683,428	540,072,401	540,072,401
Net earnings, kSEK	-7,766	-2,833	-150,872	-7,343	-16,876
Net earnings per share before dilution	-0.001	-0.005	-0.019	-0.014	-0.031
<i>After dilution</i>					
Weighted average number of shares	8,279,711,253	540,072,401	7,916,683,428	540,072,401	540,072,401
Issued warrants not yet converted to shares	845,590,580		544,665,286		
Total number of shares after dilution	9,125,301,833	540,072,401	8,461,348,714	540,072,401	540,072,401
Net earnings, kSEK	-7,766	-2,833	-150,872	-7,343	-16,876
Net earnings per share after dilution, SEK	-0.001	-0.005	-0.018	-0.014	-0.031

# Consolidated Balance Sheet

kSEK	2021-09-30	2020-09-30	2020-12-31
<b>ASSETS</b>			
Fixed assets			
Intangible assets	57,628	51	193
Tangible assets	35,978	82	74
Financial assets	28,886	18,714	18,997
<b>Total fixed assets</b>	<b>122,492</b>	<b>18,847</b>	<b>19,263</b>
<b>Current assets</b>			
Receivables	8,378	995	2,711
Short-term investments	8,893	236	1,407
Cash and bank balances	47,454	22,384	17,862
<b>Total current assets</b>	<b>64,725</b>	<b>23,615</b>	<b>21,981</b>
<b>TOTAL ASSETS</b>	<b>187,217</b>	<b>42,462</b>	<b>41,243</b>
<b>Equity</b>			
Share capital	31,035	127	143
Other contributed capital	300,355	48,447	48,520
Other equity including profit for the year	-166,966	-16,860	-16,462
<b>Total equity</b>	<b>164,424</b>	<b>31,714</b>	<b>32,202</b>
<b>Liabilities</b>			
Long-term liabilities	-	-	177
Current liabilities	22,793	10,748	8,865
<b>Total liabilities</b>	<b>22,793</b>	<b>10,748</b>	<b>9,042</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>187,217</b>	<b>42,462</b>	<b>41,243</b>

# Consolidated Cash Flow

kSEK	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Operating profit	-8,105	-3,133	-21,731	-7,505	-17,878
Adjustments for items that are not included in cash flow	1,475	-381	723	38	66
<b>Cash flow from operating activities before changes in working capital</b>	<b>-6,630</b>	<b>-3,514</b>	<b>-21,008</b>	<b>-7,467</b>	<b>-17,812</b>
Increase / decrease in operating receivables	-2,789	1,011	-8,377	-252	-1,180
Increase / decrease in operating liabilities	1,320	-9,241	17,828	-487	-734
Change in working capital	-1,469	-8,230	9,451	-739	-1,914
<b>Cash flow from operating activities</b>	<b>-8,099</b>	<b>-11,744</b>	<b>-11,557</b>	<b>-8,206</b>	<b>-19,726</b>
<b>Investment activities</b>					
Acquisition of intangible / financial fixed assets	-39,484	-2,662	-68,202	-9,212	-9,015
Sale of intangible / financial fixed assets	-	333	-	333	-
<b>Cash flow from investing activities</b>	<b>-39,484</b>	<b>-2,329</b>	<b>-68,202</b>	<b>-8,879</b>	<b>-9,015</b>
<b>Financing activities</b>					
Share Issue / Private placement	61,382	27,139	110,882	38,594	47,752
Issue costs	-294	-	-1,532	-	-
Borrowings	446	268	-	268	-
Repayment of loans	-	3,312	-	-	-1,348
<b>Cash flow from financing activities</b>	<b>61,534</b>	<b>30,719</b>	<b>109,350</b>	<b>38,862</b>	<b>46,404</b>
Increase / decrease in cash and cash equivalents	13,951	16,646	29,591	21,777	17,663
Cash and cash equivalents at the beginning of the year	33,503	5,739	17,863	608	199
Cash and cash equivalents at the end of the period	47,454	22,385	47,454	22,385	17,862

# Change in Consolidated Equity

kSEK	Share capital	Other contributed equity	Other equity incl. Profit for the year	Total Equity
<b>Equity 2020-01-01 (ACAS)</b>	<b>121</b>	<b>11,832</b>	<b>-9,849</b>	<b>2,104</b>
Rights issue	6	36,615		36,621
Issue costs		-		-
Exchange rate difference			332	332
The result of the period			-7,343	-7,343
<b>Equity 2020-09-30 (ACAS)</b>	<b>127</b>	<b>48,447</b>	<b>-16,860</b>	<b>31,714</b>
<b>Equity 2020-10-01 (ACAS)</b>	<b>127</b>	<b>48,447</b>	<b>-16,860</b>	<b>31,714</b>
Rights issue	16	73		89
Issue costs				-
Exchange rate difference				
The result of the period			399	399
<b>Equity 2020-12-31 (ACAS)</b>	<b>143</b>	<b>48,520</b>	<b>-16,461</b>	<b>32,202</b>
<b>Equity 2021-01-01 (ACAS)</b>	<b>143</b>	<b>48,520</b>	<b>-16,461</b>	<b>32,202</b>
Alignment to new group structure after reversed acquisition (ACAB)	1,828	-205,297		-203,469
Rights issue	29,064	458,664	-	487,728
Issue costs		-1,532	-	-1,532
Exchange rate difference			367	367
The result of the period *			-150,872	-150,872
<b>Equity 2021-09-30</b>	<b>31,035</b>	<b>300,355</b>	<b>-166,966</b>	<b>164,424</b>

\* Accounting-wise the Group is seen as acquiring Vertical Ventures at market price at the time of closing (0.235 SEK per share). As there were no operations in Vertical Ventures before closing of the Reverse Takeover, the purchase price cannot be allocated to goodwill, hence the entire acquisition price is accounted for as Other financial costs, in the Group income statement. This is purely a technical accounting matter, has no cash flow effect and does not impact the operational strength of the operations of the Group. Hence, Arcane also presents an adjusted result for the period (excluding this cost item of 126,917 kSEK), which, according to the Company's opinion, better reflects the financial performance of the Group in the period.

# Parent Company

The Parent Company only carries out supporting functions for the Group with its main task to raise capital and

manage the listing of its share. All income in the parent company is related to billing of services to the Group.

## Parent Company Income Statement

kSEK	Q3 2021	Q3 2020	Jan-Sep 2021	Jan-Sep 2020	Full year 2020
Net sales	1,000	0	3,381	0	3,000
<b>Total revenue</b>	<b>1,000</b>	<b>0</b>	<b>3,381</b>	<b>0</b>	<b>3,000</b>
<b>Operating expenses</b>					
Other external expenses	-1,540	-1,172	-4,987	-1,826	-2,409
Personnel costs	-287	-214	-862	-329	-258
<b>Earnings before depreciation and amortization (EBITDA)</b>	<b>-827</b>	<b>-1,386</b>	<b>-2,468</b>	<b>-2,155</b>	<b>333</b>
Depreciation and write-downs of intangible fixed assets	-	-	-	-	-
<b>Operating profit</b>	<b>-827</b>	<b>-1,386</b>	<b>-2,468</b>	<b>-2,155</b>	<b>333</b>
<b>Profit from financial items</b>					
Profit from shares in group companies	35	-	35	-	-
Interest income and other income items	-	-	-	669	669
Interest expenses and other income items	-	-121	-75	-167	-1720
<b>Total financial items</b>	<b>35</b>	<b>-121</b>	<b>-40</b>	<b>502</b>	<b>-1,051</b>
<b>Profit after financial items</b>	<b>-792</b>	<b>-1,507</b>	<b>-2,508</b>	<b>-1,653</b>	<b>-718</b>
<b>Profit before tax</b>	<b>-792</b>	<b>-1,507</b>	<b>-2,508</b>	<b>-1,653</b>	<b>-718</b>
Tax on profit for the period	-	-	-	-	-
<b>The result of the period</b>	<b>-792</b>	<b>-1,507</b>	<b>-2,508</b>	<b>-1,653</b>	<b>-718</b>

Net sales for the quarter as well as comparable figures for previous periods are related to billing for services to the

Group. The Parent Company has as of today no employees and purchases its services on a contractual basis.



# Parent Company Balance Sheet

kSEK	2021-09-30	2020-09-30	2020-12-31
<b>ASSETS</b>			
Fixed assets	-	-	-
Financial assets	326,762	3,335	900
<b>Total fixed assets</b>	<b>326,762</b>	<b>3,335</b>	<b>900</b>
<b>Current assets</b>			
Receivables	122,443	359	3,967
Cash and bank balances	36,954	1,686	160
<b>Total current assets</b>	<b>159,397</b>	<b>2,045</b>	<b>4,127</b>
<b>TOTAL ASSETS</b>	<b>486,159</b>	<b>5,380</b>	<b>5,027</b>
<b>Equity</b>			
Share capital	31,035	1,971	1,971
Share premium fund	789,548	319,114	319,114
Balanced gain or loss	-332,896	-317,626	-319,126
The result of the period	-2,508	-1,653	-718
<b>Total equity</b>	<b>485,179</b>	<b>1,806</b>	<b>1,241</b>
<b>Liabilities</b>			
Long-term liabilities	-	-	-
Current liabilities	980	3,574	3,786
<b>Total short-term liabilities</b>	<b>980</b>	<b>3,574</b>	<b>3,786</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>486,159</b>	<b>5,380</b>	<b>5,027</b>

# Definitions

**Alphaplate** • Alphaplate Limited.

**Annual Accounts Act** • (Sw: Årsredovisningslagen) Accounting legislation in Sweden consists of mandatory accounting acts – the Annual Accounts Act of 1995 (Årsredovisningslagen) and the Book-keeping Act of 1999 (bokföringslagen) being the most important. Both the Annual Accounts Act and the Book-keeping Act are general frameworks for accounting and both Acts refer to generally accepted accounting principles. The Annual Accounts Act is based on an EU Directive. Credit institutions, brokerages and dealers in securities, and insurance companies, are covered by two specific accounting acts.

**Arcane or the Company** • Arcane Crypto AB.

**Arcane Assets** • Arcane Assets AS.

**Arcane Crypto** • Arcane Crypto AS.

**Arcane Green Data** • Arcane Green Data Services AS

**Arcane Group or Group** • the group of companies comprising the Arcane Crypto portfolio and forming part of Arcane.

**Arcane Research** • research division of Arcane Crypto, which includes Arcane Media that produces the Kryptografen new site and podcast.

**Arcane Technology** • the business unit developing the software solution Teslacoil and trading as Teslacoil.

**Arcane Transaction** • acquisition of all of the shares in Arcane Crypto through a Reverse Takeover by Vertical Ventures AB (publ).

**ARK** • ARK Investment Management LLC.

**Bank of America** • The Bank of America Corporation.

**Bank of New York Mellon** • Bank of New York Mellon Corporation.

**BFNAR** • BokFöringsNämndens Allmänna Råd.

**BlackRock** • BlackRock Global Allocation Fund, Inc.

**BlockFi** • BlockFi Inc.

**Board** • the board of Arcane.

**B&S** • Black & Scholes, The Black-Scholes model, also known as the Black-Scholes-Merton (BSM) model, is a mathematical model for pricing an options contract. In particular, the model estimates the variation over time of financial instruments.

**Citi** • Citigroup Inc.

**CME** • The Chicago Mercantile Exchange.

**Coinbase** • Coinbase Global Inc.

**EBITDA** • Earnings before interest tax depreciation and amortization.

**ETF** • Exchange Traded Fund.

**Eurekahedge Crypto-Currency Hedge Fund Index** • an equally weighted index of 17 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers that allocate to bitcoin and other crypto-currencies. The index is base weighted at 100 at Jun 2013, does not contain duplicate funds and is denominated in USD. For more information please see: <https://www.eurekahedge.com/Indices/hedgefund-index-methodology>.

**Fidelity** • Fidelity Digital Asset Services, LLC.

**Fund** • Arcane Assets Fund Limited.

**Goldman Sachs** • Goldman Sachs Group, Inc.

**Grayscale** • Grayscale Investments, LLC.

**JP Morgan** • JPMorgan Chase & Co.

**Kaupang** • Kaupang Krypto AS.

**Lightning or Lightning Network** • the Bitcoin Lightning Network.

**LMAX** • LMAX Digital Broker Limited.

**LN Markets** • ITOAM, the owner of the Bitcoin Lightning Network based trading platform LN Markets.

**LOI** • Letter of Intent.

**Luxor** • Luxor Technology Corporation

**MicroStrategy** • MicroStrategy Inc.

**MVP** • Minimum Viable Product.

**Nasdaq** • Nasdaq Stock Market (US).

**Nasdaq First North** • Nasdaq First North Growth Market.

**PayPal** • PayPal Holdings Inc.

**Pure Digital** • the interbank trading platform being developed by Puremarkets.

**Puremarkets** • Puremarkets Limited, trading as Pure Digital.

**Reverse Takeover** • a takeover where the acquired entity is seen as the requirer as the shareholders in the acquired entity become the major shareholders in the acquirer.

**SEC** • The U.S. Securities and Exchange Commission.

**Square** • Square, Inc.

**State Street** • State Street Bank & Trust Company

**Tesla** • Tesla, Inc.

**Teslacoil** • Teslacoil Solutions AS.

**Trijo** • Ijort Invest AB, which operates the Swedish cryptocurrency exchange Trijo.

**Valour** • Valour Structured Products Inc.

**VanEck** • Van Eck Associates Corporation.

**Venmo** • Venmo, LLC (subsidiary of PayPal).

**Vertical Ventures** • Vertical Venture AB (publ).

**Visa** • Visa, Inc.

**Wells Fargo** • Wells Fargo & Company.

**Zodia Custody** • Zodia Custody Limited.



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## Interim Report

Q3 2021 | January - September