PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

PHA

Phala (PHA)
Last updated on August 26, 2025

Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision Re Payward Canada Inc. dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that PHA is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading PHA. Please review the Risk Statement and Fee Schedule for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian Platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this Crypto Asset Statement is based on publicly available information provided by third parties.

What is Phala (PHA) and how does it work?
Phala Network is a decentralized cloud that lets apps run sensitive or heavy tasks on many independent machines while keeping the underlying data private. It does this with a hardware feature called a Trusted Execution Environment (TEE)—a locked area inside a computer chip. Data goes in encrypted, the work happens where even the machine's owner can't see it, and only the approved results come out. Each job can attach a cryptographic "proof" (remote attestation) so others can verify the work really ran inside a genuine TEE with the expected code.

Two roles keep things running. Workers are the machines that do the computation inside TEEs. Gatekeepers coordinate keys and groups of Workers and help maintain network records. In simple terms: you submit a job → a Worker runs it privately in a TEE → the result and proof are returned → the chain verifies/syncs it. Phala is built with Polkadot tech, and its SubBridge component lets it pass messages and assets to EVM chains (with some routes, like legacy Khala paths, now disabled as Khala sunsets).

What you can run: developers use Phat Contracts (off-chain agents) to call web APIs or other chains and

bring results back on-chain, and Phala Cloud now supports Confidential AI—running AI models (including LLMs) inside GPU TEEs with a managed, OpenAI-style inference API.

PHA is the network's utility token. It's used to pay for compute (for example, running confidential jobs) and to participate in governance (token holders can propose and vote in the referenda system). Certain operator roles also stake/bond PHA to start and secure Workers; community members can delegate to StakePools or through Vaults that route stake to multiple pools. Misbehavior can lead to penalties.

Who is behind the project?
Phala was founded in 2018 by the Phala Network Foundation. Public materials identify Hang Yin (Co-founder; former Google software engineer) and Marvin Tong (Co-founder; former Tencent product manager) among the key leaders. The project raised approximately US$1.68 million across two private token sales beginning in 2019, and the team reports receiving Web3 Foundation grants.

Tokenomics of PHA
PHA has a total and fixed supply of 1,000,000,000 tokens.

At launch, PHA was distributed as follows:

Category	Percentage (%)	Token Amount
Mining/Network incentives	70%	700,000,000
Private token sale	15%	150,000,000
Stakedrop & IPO / Ecosystem & Parachain Auction	9%	90,000,000
Team	5%	50,000,000
Testnet rewards	1%	10,000,000
Total	**100%**	**1,000,000,000**

As of August 2025, the circulating supply is approximately 808,153,215 PHA (~80.8% of the total).

General Risks
Like all other digital assets, there are some general risks to investing in PHA. These include short history risk, volatility, and liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Risks specific to PHA

Competition
The Phala Network faces competition from other cryptocurrencies such as Integritee Network and Aleph Zero, and many others. Phala Network's value derives from its broader adoption in the market. If the Phala Network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of PHA.

Developer Dependence
While there are many developers who contribute to Phala Network, there are no guarantees that they will continue to contribute. PHA, Phala Network's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its decentralized exchange tooling when necessary.

Adoption by Protocols & Users
PHA's value derives from protocols building on Phala Network. If Phala Network fails to attract sufficient adoption, this could negatively impact the value of PHA.

Due Diligence
Prior to listing on the Kraken platform, Kraken performed due diligence on PHA and determined that PHA is unlikely to be a security or derivative under Canadian securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of PHA, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created PHA;
- The supply, demand, maturity, utility and liquidity of PHA;
- Material technical risks associated with PHA, including any code defects, security breaches and other threats concerning PHA and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with PHA, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of PHA, and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to PHA about whether PHA, or generally about whether the type of crypto asset, is a security and/or derivative.