PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Secret Network (SCRT)

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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 SCRT 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 Secret Network (SCRT). 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 the Secret Network and how does it work?

Secret Network is a privacy-focused blockchain built using the Cosmos SDK that enables encrypted smart contracts known as secret contracts. These contracts allow decentralized applications (dApps) to process sensitive data without revealing it, giving users more control over their personal information. The native token SCRT is used for transaction fees, staking rewards, and governance.

The network operates by transforming smart contracts into secret contracts, where input data remains hidden. This is accomplished through Trusted Execution Environments (TEEs), which are secure, isolated regions within a node's CPU. These environments process encrypted data without exposing it to the device owner or external observers. Only the intended recipient can decrypt the results of computations performed inside the TEE. When the computation is complete, only the output is committed to the blockchain.

Nodes must stake SCRT to validate transactions, and delegators can also participate in network security by bonding their SCRT to validators. The network currently produces blocks every six seconds and has a soft throughput limit of 22 transactions per second (TPS), with theoretical scalability up to 10,000 TPS, according to the team. Secret Network runs a Proof of Stake (PoS) consensus model via Tendermint's Byzantine Fault Tolerance (BFT) mechanism.

In addition, Secret Network supports token privacy through Secret Bridges, which allow users to convert Ethereum and BNB Smart Chain tokens into privacy-preserving "secret" versions (e.g., sETH, sAAVE). Viewing keys are required to see balances and transactions involving these tokens, which are private by default.

SCRT is an inflationary token with no maximum cap. As of 2025, inflation sits around 9%, dynamically adjusting based on the staking ratio (ranging from 7% to 15%)

For more information on Secret Network (SCRT) staking and fees, please visit our crypto staking and overview of on-chain staking pages.

Who is behind the project?

Initially named Enigma, Secret Network underwent a rebranding in 2020 following an on-chain community vote. The original project was founded in 2017 by two MIT graduates, Can Kisagun and Guy Zyskind. Kisagun was a Business Analyst at McKinsey & Company prior to launching Secret Network and holds an MBA from MIT. Zyskind has an extensive history in blockchain, having earned his Master of Science at MIT and then as a Research Assistant at its Media Lab. Zyskind went on to teach MIT's first cryptocurrency related engineering class.

Tokenomics of SCRT

SCRT is the native coin of Secret Network and is used for gas fees and governance.

SCRT is an inflationary token with no maximum supply

The project team estimated that the token distribution (170M SCRT) at the 1st of January 2021 was as follows:

- 44.12% to the community
- 21.18% to the past, current, and future team
- 17.65% to Enigma and affiliates treasury
- 11.76% to the ecosystem pool
- 0.59% to the foundation
- 4.71% to inflation

The current inflation is set at 15% as long as the ratio of staked to non-staked SCRT remains under 66%. If the bonded rate goes above 66%, the inflation gradually declines to 7%.

The circulating supply as of May 2023 is ~314 million SCRT.

General Risks

Like all other digital assets, there are some general risks to investing in SCRT. These include short history risk, volatility risk, 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.

Some blockchains on which staked Crypto Assets are maintained may prescribe bonding and/or unbonding periods, which are waiting periods after a token holder has transmitted an instruction to stake or un-stake a token prior to the beginning or ending of the staking process. During this waiting period, no Staking Rewards are earned and a holder cannot access their staked Crypto Assets (e.g. for a sale of transfer).

Risks specific to SCRT

Competition

The Secret Network network faces competition from other smart contract platforms such as Ethereum, Polkadot, Solana, and many others. SCRT's value derives from its broader adoption in the market. If the Secret Network network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SCRT.

Developer Dependence

While there are many developers who contribute to the Secret Network network and its associated networks there are no guarantees that they will continue to do so. SCRT, Secret Network' native asset, could be negatively affected by an inability to retain and/or attract developers to maintain and build out an interconnected network of blockchains.

Novel Technical Risk

A network of interconnected blockchains is a novel and complex technology stack. Unforeseen bugs in any of the components of the Secret Network network such as one of the many blockchains within the ecosystem or the core infrastructure such as the Interblockchain Communication protocol (IBC) could negatively impact the value of SCRT.

Reputational Risk

Secret Network comprises many networks of differing quality and complexity. Given the permissionless nature of the Cosmos SDK, Secret Network and thus SCRT could be negatively impacted by poorly designed networks and applications within the ecosystem. A recent example of this risk is exemplified in

the depegging of UST and the subsequent financial collapse of Terra Luna. The Terra blockchain was constructed using the Secret Network SDK and was integrated within the Secret Network ecosystem. Although the Secret Network network was not technically impaired and operated as expected during and after the financial collapse of Terra Luna, its association with Secret Network tooling could negatively impact the perceived value of SCRT in the market.

Staking Risk

Staking SCRT does not divorce the holder from the same market and technical risks of merely holding SCRT. The yield earned through staking is denominated and earned in SCRT. Over time, the total balance of SCRT will increase for stakers but this does not guarantee its market value also increases in tandem. Lackluster market adoption and unforeseen technical problems can negatively impact a holder's return on staked SCRT. For more information on staking risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on SCRT and determined that SCRT 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 SCRT, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created SCRT;
- The supply, demand, maturity, utility and liquidity of SCRT;
- Material technical risks associated with SCRT, including any code defects, security breaches and other threats concerning SCRT 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 SCRT, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SCRT, 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 SCRT about whether SCRT, or generally about whether the type of crypto asset, is a security and/or derivative.

In addition to performing due diligence on SCRT and prior to making SCRT available to clients for staking on the Kraken platform, Kraken performed a review of the following:

- the operation of the Proof of Stake blockchain for SCRT;
- the staking protocols for SCRT ;
- the risk of loss of staked SCRT, including from software bugs and hacks of the protocol;
- due diligence with respect to the staking infrastructure operated by Kraken's affiliate, Staked Cayman Ltd., including but not limited to, information about:

- the persons or entities that manage and direct the operations of the affiliate,
- the affiliate's reputation and use by others,
- the approximate amount of crypto assets the affiliate has staked on its own nodes,
- the measures in place by the affiliate to operate the nodes securely and reliably,
- the quality of the affiliate's work (i.e., the amount of downtime of the staking infrastructure, any past history of "double signing" and "double attestation/voting", etc.),
- any losses of Crypto Assets related to the affiliate's actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the affiliate,
- any guarantees offered by the affiliate against slashing or other penalties and any insurance obtained by the affiliate that may cover this risk, and
- the financial status of the affiliate.