# PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

xU3O8 (xU3O8)

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**Disclaimer**

***Please note that this risk disclosure is not exhaustive of all risks associated with trading xU3O8. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the Risk Summary for additional discussion of general risks associated with the assets made available in the 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 risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.***

**What is xU3O8 and how does it work?**

xU3O8 is a blockchain-based token that evidences beneficial ownership of physical uranium ore concentrate ($U_3O_8$ or "yellowcake"). One xU3O8 initially corresponds to one ounce of yellowcake held in a regulated storage facility; the custody record is maintained on-chain via a Tezos-based smart-contract ledger, while the underlying metal is stored at a Cameco-operated depository and held in trust by FCA-regulated custodian Archax.

The token is issued on Etherlink (an EVM-compatible roll-up that inherits Tezos' proof-of-stake security). Transfers of xU3O8 represent proportional transfers of the uranium held in trust. Trading venues provide secondary-market liquidity; price alignment with the OTC spot market is expected to be maintained by market-makers and arbitrageurs rather than by an explicit peg.

**Who is behind the project?**

Lodewijk van Setten and Ronan Kucza run the project as executives. London based firm Trilitech leads the smart-contract and dApp development.

**Tokenomics of xU3O8**

At the time of writing, xU308 has a fixed maximum and on-chain total supply of 1.6 million tokens. One token was initially minted for each ounce of $U_3O_8$ deposited at Cameco's regulated storage site, but because the protocol mints extra tokens (capped at up to 1.1 % of supply per year) into its treasury to pay custody and administration costs, each outstanding token gradually represents a slightly smaller share of the uranium pool rather than incurring cash fees.

**General Risks**

Like all other digital assets, there are some general risks to investing in xU3O8. 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.

**Risks specific to xU3O8**

*Competition*

xU3O8 faces competition from other RWA tokenization projects such as Mantra and Centrifuge. xU3O8's value derives from the project's broader adoption in the market. If xU3O8 fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of xU3O8.

*Architecture*

xU3O8 interacts with oracles that do not operate on a blockchain. These oracles are independently responsible for collecting the real world data requested by the contracts. This mechanism is designed to produce accurate price and supply feeds, however, xU3O8 is unable to fully mitigate the risk of oracles producing incorrect data and impacting the accuracy of xU3O8 aggregate data feeds.

**Due Diligence**

Prior to listing on the Kraken platform, Kraken performed due diligence on xU3O8 and determined that xU3O8 is unlikely to be a security or derivative under UK 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 xU3O8, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created xU3O8;
- The supply, demand, maturity, utility and liquidity of xU3O8;
- Material technical risks associated with xU3O8, including any code defects, security breaches and other threats concerning xU3O8 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 xU3O8, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of xU3O8, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to xU3O8 about whether xU3O8, or generally about whether the type of crypto asset, is a security and/or derivative.

**Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment**

**and you should not expect to be protected if something goes wrong.** **Take 2 mins to learn more.**

Payward Ltd (trading as Kraken) is registered as a cryptoasset firm with the Financial Conduct Authority (FRN: 928768) registered office at 6th Floor, One London Wall, London, EC2Y 5EB. Cryptoasset services offered by Payward Ltd are unregulated and not covered by the Financial Services Compensation Scheme as well as the FCA's consumer protection regulations. Note the value of cryptoassets can go down as well as up, gains may be subject to Capital Gains Tax and there may be extra charges when paying via credit card from your provider.