PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Mango (MNGO)

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Disclaimer

Please note that this Crypto Asset Statement is not exhaustive of all risks associated with trading MNGO. 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 Statement for additional discussion of general risks 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 that may be inaccurate, incomplete, or change at any time.

What is Mango?

Mango, or Mango Markets, is a DeFi protocol whose decentralized application allows users to lend, borrow, and trade their digital assets, both on a spot basis and with leverage. The application is built on the Solana blockchain and incorporates the Serum DEX for spot trading activities. Mango maintains its own order book for perpetual futures trading. Programmatic traders can connect to Mango's API to utilize the exchange for their trading algorithms.

The MNGO token grants its holder voting rights with regards to proposals dictating the direction of the project. Matters related to code maintenance, network incentives, and product features are all decided through the governance process.

Who is behind the project?

The entity behind Mango Markets, Mango Labs, was founded at the end of 2020 by Dafydd Durairaj. Prior to this, Durairaj developed trading algorithms both as a consultant and in deploying his personal capital.

How does it work?

Trading

Users can open a Mango Markets trading account by first connecting a wallet to the application at trade.mango.markets, and then making a deposit in the asset of their choosing. A small amount of Solana (SOL) must be held in the wallet to pay the gas fee for this transaction.

Users on Mango are not limited to trading these deposited assets, however. Mango Markets is a cross-collateralized trading platform, meaning that a user's deposits can serve as collateral for a spot trade of a completely different asset pair. The same is true for a margin trade that uses leverage; so for example, by depositing $100 worth of ETH, one can trade $500 worth of any other asset pair supported on Mango's spot margin market with 5x leverage. On Mango's perpetual futures market, the available leverage increases to 20x.

Lending & Borrowing
By depositing assets into a Mango Markets account, users are effectively lending out those assets, and will immediately begin to earn continuously compounding yield on them, until they become used as margin for a trade.

As long as users have assets deposited that aren't being used as margin, they have the option of borrowing against those deposits and taking their borrowed assets off-platform.

A Mango Markets user who borrows or makes a leveraged trade needs to keep an eye on their Health Ratio. This figure is calculated as the sum of the dollar value of their deposited assets and trade positions, divided by the dollar value of their borrowed capital. This ratio must be kept above 0%, otherwise the user's assets will be liquidated to service their borrowings and all their funds will be lost.

Governance
Mango operates as a DAO, and MNGO holders have voting rights with respect to governance proposals. Holders can participate by depositing their MNGO into the protocol's governance smart contract at https://dao-beta.mango.markets/dao/MNGO. This will allow them to vote on proposals. Users can withdraw their MNGO at any time.

Tokenomics of MNGO

MNGO is the native token of the Mango Markets protocol, and it is used for governance, staking, and trading-fee discounts.

The distribution of MNGO at launch, with an initial supply of 1 billion tokens, was as follows:

- 90% are held by the DAO, only to be unlocked by the token holder governance process
- 5% were allocated to an insurance fund, held by the DAO treasury and only to be deployed to absorb losses in the event of extreme volatility
- 5% were allocated to the creators of Mango Markets

As of April 2023, there are 1 billion MNGO tokens in active circulation. The maximum allowable supply is set at 10 billion tokens; only the DAO, through its governance proposal process, has the authority to distribute additional tokens.

General Risks
Like all other digital assets, there are some general risks to investing in MNGO. 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 MNGO

Technical Risk
MNGO holders choosing to make use of the DAO governance process, or the Mango Markets application in general, should be aware that the protocol suffered an exploit in October 2022 that led to a large loss of DAO treasury funds. Presumably, the Mango Markets team will correct the design flaw that led to this exploit before relaunching the application; however the risk remains that a similar event could occur again.

Regulatory Scrutiny
A regulatory crackdown on DeFi such as the Digital Commodities Consumer Protection Act (DCCPA), which could regulate decentralised exchanges similar to their centralised counterparts, would effectively ban DeFi. This could have a negative impact on the value of MNGO.

Network Outages
The Solana blockchain has halted on numerous occasions over its lifetime. Future network outages could negatively impact the Mango Markets and consequently the perceived value of MNGO in the market.

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

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 MNGO 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.