

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Badger DAO (BADGER)

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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 BADGER 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 BADGER. 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 Badger DAO and how does it work?

Badger DAO is a decentralised autonomous organisation created in 2020 to make tokenised bitcoin usable throughout decentralised-finance (DeFi) ecosystems. The project's flagship Sett Vaults let users deposit synthetic BTC derivatives and related assets, so that smart-contracts can deploy them across partner protocols such as Yearn and Curve to generate yield. Depositors receive interest-bearing bTokens that track their share of the vault and can be rehypothecated elsewhere in DeFi.

A second product, DIGG, issues an elastic-supply token designed to track the USD price of one bitcoin. Smart-contracts "rebase" the circulating DIGG supply, expanding when the token trades above its BTC-peg and contracting when it trades below, while each holder's percentage ownership stays constant. Depositing DIGG into Setts earns additional yield.

BADGER itself is an ERC-20 governance and incentives token. Holders vote on Treasury proposals and receive protocol rewards, including boosted Sett yields, liquidity-mining incentives for BADGER-WBTC

pools and DAO fee distributions. The project claims that keeping BADGER in one's wallet automatically increases the APY available in supported vaults. BADGER also serves as collateral within certain DeFi money-markets that list the token.

Who is behind the Project?

Chris Spadafora serves as Head of Operations, while Ameer Rosic remains an Operations-team contributor. Albert Castellana and Alberto Cevallos act as advisers. Smart-contract development and front-end maintenance are coordinated in open-source repositories via community workgroups, with additional engineering support from DAO tooling studio dOrg.

Tokenomics of BADGER

The current circulating supply is around 20 million BADGER, while the total and maximum supply remain capped at 21 million. Badger DAO conducted a fair launch, no premine, venture allocation or private sale.

At genesis, the token allocation was as follows:

Category	Allocation
Builder community & DAO Treasury	90%
Founding team	10%
Total	100%

General Risks

Like all other digital assets, there are some general risks to investing in BADGER. 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 Badger DAO

Competition

The Badger DAO network faces competition from other cryptocurrencies such as Yearn Finance, Convex Finance, and many others. BADGER's value derives from its broader adoption in the market. If the Badger DAO network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of BADGER.

Developer Dependence

While there are many developers who contribute to Badger DAO, there are no guarantees that they will continue to contribute. BADGER, Badger DAO'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 decentralised-exchange tooling when necessary.

Due Diligence

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