PAYWARD CANADA INC.

CRYPTO ASSET RISK DISCLOSURE
Constellation (DAG)

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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 DAG 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 DAG. 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 Constellation and how does it work?

Constellation Network is a decentralised infrastructure platform designed to address limitations in traditional blockchain systems such as scalability, transaction fees, and data throughput. Unlike conventional linear blockchains, Constellation utilises a Directed Acyclic Graph (DAG) architecture known as the Hypergraph, enabling asynchronous processing of data and transactions across an expanding network of custom-built applications called metagraphs.

Metagraphs function as independent, application-specific Layer 1 networks that interact with the core Constellation protocol. These are designed to meet enterprise and developer requirements for scalability, speed, and cost-efficiency. Each metagraph operates with its own logic and can define its own consensus and data standards, while leveraging the underlying network for validation and security.

A distinctive feature of the Hypergraph is its feeless transaction model. Instead of users paying gas fees, metagraphs cover snapshot fees (paid in the DAG token) for processing and storing transactions. This

approach removes user-facing costs, aiming to make adoption more accessible for businesses and developers.

Who is behind the project?

Constellation Network is led by Chief Executive Officer Benjamin Jorgensen, alongside co-founders Altif Wyle-Brown and Benjamin Diggles. The technical development is overseen by Chief Technology Officer Alex Brandes. Dave Berg serves as the project's Chief Product Officer and Michael Brand serves as Chief Operating Officer.

Tokenomics of DAG

Constellation uses an adaptive (elastic) supply model known as Metanomics, targeting a 0.5% annual inflation rate. This model allows for continuous rewards for validators and delegators, ecosystem development, and economic balancing. The token distribution is as follows:

Category	Amount
Protocol	30%
Stardust Collective	5%
Validators	20%
Delegators	45%
Total	**100%**

General Risks

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

Competition

Constellation faces competition from other Directed Acyclic Graph architecture projects such as IOTA, Hedera, and many others. DAG's value derives from the project's broader adoption in the market. If Constellation fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of DAG.

Due Diligence

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