

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

KSM

Kusama (KSM)

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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 KSM 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 KSM. 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 Kusama and how does it work?

Kusama is an experimental, public blockchain network often referred to as Polkadot's "canary network." It shares almost the same Substrate-based code-base as Polkadot but intentionally relaxes certain governance parameters to allow faster iteration and on-chain experimentation.

The network is architected around a Relay Chain that provides shared security and finality, and multiple user-defined parachains that plug into it for specialized functionality. Kusama employs Nominated Proof-of-Stake (NPoS): holders of KSM may stake as validators to finalize blocks or as nominators to back trusted validators, earning inflationary rewards. For more information on KSM staking and fees, please visit our [crypto staking](#) and [overview of on-chain staking](#) pages.

Kusama's governance has evolved to OpenGov, a second-generation on-chain governance model launched on Kusama in March 2023, enabling continuous, parallel referenda and multirole delegation of voting power. OpenGov allows any KSM holder (or their delegate) to propose and vote on changes, with enactment periods significantly shorter than Polkadot's, preserving Kusama's role as a rapid-deployment environment.

Because parachain auctions, runtime upgrades, and other innovations are live-tested on Kusama before Polkadot, the network is positioned as a real-value sandbox for projects that want to gain community traction and battle-test code prior to a Polkadot launch—or remain indefinitely on Kusama for its speed and flexibility.

Who is behind the project?

Kusama was founded in 2016 by Dr. Gavin Wood, Peter Czaban, and Robert Habermeier, the same team that created Polkadot and co-founded Parity Technologies. The Web3 Foundation provides grants and ecosystem support, while hundreds of independent developers contribute to the open-source code-base.

Tokenomics of KSM

KSM is Kusama's native token. It is bonded for validator or parachain slots, pays transaction & cross-chain message fees, and grants holders full on-chain governance rights (voting and nominating).

KSM's monetary policy targets 10 % annual inflation. When the network's staking rate is at its ideal level of roughly 60 %, the entire 10 % is paid out as staking rewards. If the staking rate drifts above or below that target, the difference is redirected to the Kusama Treasury instead of to stakers.

At genesis in August 2019, 10 million KSM were minted and distributed as follows:

Allocation pool	Share of 10 M KSM	Tokens (approx.)
DOT sale claimants	50%	5 000 000 KSM
Web3 Foundation	30%	3 000 000 KSM
Future-sales reserve	11.58%	1 158 000 KSM
SAFT investors	5%	500 000 KSM
Private-sale investors	3.42%	342 000 KSM
Total genesis supply	100%	10 000 000 KSM

General Risks

Like all other digital assets, there are some general risks to investing in KSM. 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 or transfer).

Risks specific to KSM

Polkadot Dependence

As a canary network for Polkadot, Kusama's success is closely linked to Polkadot's success.

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

Developer Dependence

Although there are many developers working on Kusama, there are no guarantees that they will continue to contribute. KSM could be negatively affected by an inability to retain and/or attract developers to continue to build out its smart contract platform and build applications that utilize the network.

Staking Risk

Staking KSM does not divorce the holder from the same market and technical risks of merely holding KSM. The yield earned through staking is denominated and earned in KSM. Over time, the total balance of KSM 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 KSM. 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 KSM and determined that KSM 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 KSM, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created KSM;
- The supply, demand, maturity, utility and liquidity of KSM;
- Material technical risks associated with KSM, including any code defects, security breaches and other threats concerning KSM 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 KSM, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of KSM, 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 KSM about whether KSM, or generally about whether the type of crypto asset, is a security and/or derivative.

In addition to performing due diligence on KSM and prior to making KSM 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 KSM;
- the staking protocols for KSM ;
- the risk of loss of staked KSM, 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.