

# PAYWARD CANADA INC.

## CRYPTO ASSET STATEMENT

### QUAI

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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 QUAI 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 QUAI. 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 Quai Network and how does it work?

Quai Network is a proof-of-work (PoW) layer-1 blockchain which aims to enable high-throughput, low-cost, and decentralized transactions by using a multi-threaded architecture that supports horizontal sharding. The project aims to create a blockchain-based monetary system that scales for everyday transactions while maintaining decentralization and censorship resistance. Quai relies on a novel type of proof-of-work system called Proof-of-Entropy-Minima (PoEM). This consensus mechanism aims to improve how quickly and reliably the network can finalize transactions compared to traditional proof-of-work systems like Bitcoin.

A key feature of Quai is its multi-chain architecture. Instead of one blockchain handling everything, Quai splits into smaller interconnected chains, called shards, that work in parallel. These chains are arranged in a three-layer system — Zone, Region, and Prime — and are all secured together using a process called merge mining. Merge mining is a method that allows one miner to secure multiple blockchains at the same time using the same computing power. This setup allows Quai to process tens of thousands of transactions per second.

The network also introduces a dual-token system:

- **Quai (QUAI)** is the main asset used to pay gas fees, enable smart contracts, and represents a store of value.
- **Qi** is designed to act more like digital cash and aims to maintain a stable purchasing power by adjusting its supply based on mining difficulty, which is tied to energy costs.

### Who is behind Quai Network

Quai Network is developed by Dominant Strategies in partnership with the Quai Foundation. Key team members include CEO and Co-Founder Alan Orwick, CTO and Co-Founder Karl Kreder, and Director and Co-Founder Sriram Vishwanath.

### Tokenomics of QUAJ

QUAJ has a total supply of 3 billion tokens. The token allocation is as follows:

Category	Amount	Details
Foundation	33.33%	20% unlocked at TGE, remainder vests in monthly instalments over 6 years
Ecosystem/Community	23%	15% unlocked at TGE, remainder vests in monthly instalments over 4 years
Investors	20%	25% unlocked at TGE, remainder vests in monthly instalments over 3 years
Team	16.33%	25% unlocked at TGE+ 1 year, remainder vests in monthly instalments over 3 years
Liquidity Providers	2%	100% unlocked at TGE
Testnet Users	3.67%	100% unlocked at TGE (with the exception of certain bounties and grants)
Social and Earn Programs	1.67%	25% unlocked at TGE, remainder vests in monthly instalments over 2 years
<b>Total</b>	<b>100.00%</b>	

## **General Risks**

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

### *Competition*

Quai Network faces competition from other layer-1 blockchains such as Ethereum, Solana, and many others. QUAJ's value derives from the project's broader adoption in the market. If Quai Network fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of QUAJ.

### *Proof of Work Pushback*

Quai Network utilizes a Proof-of-Entropy-Minima (PoEM) consensus method. PoEM is inspired by Bitcoin's consensus mechanism called Proof-of-Work (PoW) Nakamoto Consensus. PoEM, like PoW, uses hashes generated by competing miners to verify the validity of a proposed block. Proof of Work cryptocurrencies have come under considerable criticism because of its energy use. Energy use is a contentious issue because of economic and environmental concerns. Regulators around the world could move to clamp down on Proof of Work mining making it harder for the network to operate and hurt its perception in the market. These criticisms and crackdowns could have negative impacts on the value of QUAJ.

## **Due Diligence**

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