

Kinesis Global Pty Ltd

ACN 656 201 660

Risk Disclosure Statement

November 2024

Document control

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1.0	November2024	Liam Hennessy, Clyde & Co	Creation	Thomas Coughlin Kinesis Global Pty Ltd

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1 Introduction

- 1.1 The following relates to the Stablecoin USD1, issued by Kinesis Global Ltd Pty ACN 656 201 660. Before using Kinesis's services or USD1 you should ensure that you fully understand and can afford to undertake the risks involved. This document lists some, but not all the risks involved in holding, transferring, trading and otherwise using USD1 generally, and using Kinesis's services specifically. It is intended to provide you with a general outline of the risks involved with using Kinesis services but cannot capture all risks so as to be an exhaustive list. Keep in mind that additional, significant risks may apply to you. In addition to reading this document and our Terms and Conditions carefully, you should always do your own research and consider whether you are willing to accept any associated risks before using Kinesis's services.
- 1.2 **You must make your own independent decision to access or use Kinesis's services and should seek any advice that you consider necessary or desirable (including financial and/or legal advice) from independent advisers.**
- 1.3 Kinesis does not provide financial products under the *Corporations Act 2001* (Cth) (**Corporations Act**), nor does it provide general or personal financial advice in relation to these financial products.
- 1.4 Kinesis treats transparency and risk disclosure to its customers as a continuous journey and, as such, expects to regularly review, update, and improve this document. Kinesis is also conscious of the shifting regulatory climate around USD1 in Australia and globally and will work to ensure this document remains suitable in the current regulatory climate.

2 General

- 2.1 Kinesis does not provide any legal, tax or financial advice, and you are strongly advised to undertake your own research and enquiries and obtain independent legal, tax or financial advice from an appropriately qualified professional advisor prior to making any financial decision relating to stablecoin USD1 or Kinesis services, including with respect to buying, transferring, trading, holding or otherwise using stablecoin USD1. There are significant risks associated with stablecoin USD1, and you are solely responsible to make sure you understand these risks and assess whether taking such risks is appropriate for you and your circumstances.
- 2.2 Kinesis does not make any offers, recommendations or invitations for you to deal in USD1 or use any services, and does not take into account your personal circumstances, financial situation, needs, or objectives. Before making any financial decision, you should carefully assess your financial situation and capacity and only use funds you can afford to lose.
- 2.3 Before entering into any transaction using Kinesis's services, you should ensure that you understand and have made an independent assessment of the suitability and appropriateness of that transaction and of the nature and extent of your exposure to the risk of loss in light of your own objectives, financial and operational resources and other relevant circumstances.
- 2.4 Past performance is no guarantee of future results.

3 Risks Related to USD1 Generally

Risk	Description
Market and Value Stability Risks	<p>Peg Maintenance Risks: USD1 is intended to maintain a 1:1 peg to the US dollar; however, there is no guarantee that the value of USD1 will always remain stable. Factors such as market demand, issuer practices, reserve adequacy, and broader economic conditions can impact USD1’s ability to maintain its peg.</p> <p>De-Pegging Risk: USD1 may experience “de-pegging” events, where its value diverges from the US dollar due to extreme market conditions, lack of sufficient reserve backing, or loss of public confidence.</p> <p>Market Volatility: While stablecoins like USD1 are designed for stability, market forces, especially in the digital asset sector, may cause temporary price fluctuations, which could result in unexpected losses for holders during high volatility.</p>
Legal risk	<p>Debt claim: Each USD1 issued by Kinesis constitutes a recognised and enforceable debt claim by the holder against Kinesis for its full face value in USD, however, that claim is contingent on a number of factor. Investors should be aware that redemption of USD1 is subject to Kinesis's compliance with applicable laws, including anti-money laundering and counter-terrorism financing regulations. Redemption requests may be delayed, rejected, or denied at Kinesis's sole discretion if compliance concerns or operational constraints arise.</p> <p>Legal classification: The regulatory landscape for digital tokens like USD1 is evolving. Changes in laws, regulations, or enforcement practices in relevant jurisdictions may adversely affect Kinesis's ability to issue, redeem, or maintain USD1, and could result in restrictions or increased compliance costs.</p> <p>User responsibility: USD1 holders are responsible for complying with all applicable tax laws and regulations in their jurisdiction. Kinesis does not provide tax or legal advice, and investors may incur penalties or liabilities if they fail to meet their obligations.</p> <p>Restrictions: Investors should be aware that the USD1 Terms and Conditions impose restrictions on the use, transfer, and redemption of USD1 tokens. Redemption is only available to holders with an active and compliant account with Kinesis and may be delayed or denied if regulatory requirements, such as anti-money laundering (AML) or counter-terrorism financing (CTF) compliance, are not met. USD1 can only be transferred to</p>

	<p>wallets compatible with USD1-supported blockchains, and any transfer to unsupported wallets may result in permanent loss of funds. The tokens cannot be used as a payment instrument, pledged as security, or employed in connection with illegal activities such as money laundering or fraud. Kinesis also reserves the right to modify the composition of the reserves backing USD1 and adjust associated fees at its discretion. These restrictions may limit the flexibility, functionality, and liquidity of USD1 for investors, particularly in scenarios where compliance reviews or technical incompatibilities arise. Investors are strongly advised to review these conditions and seek independent legal or financial advice before acquiring or using USD1.</p>
<p>Reserve and Collateralisation Risks</p>	<p>Asset Composition and Quality: The stability of USD1 depends on the nature and quality of the assets held in reserve by Kinesis. These can be cash assets, cash equivalent assets, commodities, securities, contractual rights or any other thing of value. If the reserve assets are not highly liquid or experience a drop in value, this could affect the stability and redeemability of USD1.</p> <p>Reserve Transparency and Verification: Although Kinesis aims to ensure transparency through regular disclosures, USD1 holders may not have access to fully independent audits of the reserve assets. This lack of verified transparency could lead to uncertainty regarding USD1's true backing.</p> <p>Fractional Reserves and Redemption Demand: If USD1 operates on a fractional reserve model, meaning only a portion of the USD1 supply is fully backed at any given time, sudden, large redemption requests could strain liquidity and potentially impair Kinesis's ability to fulfill redemptions promptly.</p> <p>Composition: Kinesis retains discretion to reallocate or adjust the composition of USD1 Reserves, provided such adjustments are consistent with maintaining economic equivalency to USD1 tokens in circulation.</p> <p>Reserve impacts: Kinesis maintains USD1 Reserves to back its debt obligations; however, the composition and sufficiency of these reserves are subject to market conditions, regulatory changes, and unforeseen events. In the event of a shortfall, investors may face a proportional reduction in redemption value.</p> <p>Counterparty risk: Kinesis relies on third-party service providers, including custodians and payment processors, to manage USD1 Reserves and facilitate transactions. Any failure, insolvency, or breach by these third parties could impact Kinesis's ability to fulfil its obligations to USD1 holders.</p>

Regulatory, political or legal Risk	<p>Uncertain Regulatory Landscape: The regulatory environment surrounding stablecoins, including USD1, is evolving. Sudden regulatory changes or new legal interpretations may restrict, prohibit, or significantly alter USD1's usage, transfer, and exchangeability.</p> <p>Classification as Financial Products: Changes in regulatory definitions could reclassify stablecoins like USD1 as financial products, subjecting Kinesis and its users to additional compliance requirements, restrictions, and potential taxes. This could impact USD1's viability or increase its operational costs.</p> <p>Cross-Jurisdictional Compliance: Regulatory compliance varies by jurisdiction, which may result in certain restrictions, prohibitions, or specific requirements for USD1. Users are responsible for ensuring that their activities comply with all relevant laws in their jurisdictions.</p> <p>It is difficult to predict how or whether regulatory authorities may apply existing regulation with respect to such technology and its applications, including specifically (but without limitation) to Kinesis and the USD1 relevant to Kinesis services. It is likewise difficult to predict how or whether any legislative or regulatory authorities may implement changes to law and regulation affecting distributed ledger technology and its applications, including specifically (but without limitation to) Kinesis and the USD1 relevant to Kinesis services.</p> <p>Different Tax Regulation: Different jurisdictions may impose specific tax rules and treatments on USD1. You must ensure you understand the tax implications of your activities, and always comply with all reporting and payment obligations applicable to you. If you are unsure of your obligations, you should consider seeking professional tax advice.</p> <p>You acknowledge that, as required by applicable legislation, Kinesis shall report information regarding your transactions, transfers, distributions or payments to tax or other public authorities. Similarly, as required by applicable law, Kinesis shall withhold taxes related to your transactions, transfers, distributions, or payments. Applicable legislation could also prompt Kinesis to request additional tax information, status, certificates, or documentation from you. You acknowledge that failure to answer these requests within the timeframe defined, may result in withholding taxes by Kinesis to be remitted to tax authorities as defined by relevant law. You are strongly advised to undertake your own enquiries and obtain independent legal, tax or financial advice from an appropriately qualified professional advisor prior to making any financial decision relating to USD1 or Kinesis services.</p>
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	<p>Marketing / Claims: Investors should note that any claims related to USD1 are strictly limited to Kinesis and do not extend to any other entity, including custodians, payment processors, or other third parties involved in the operation or support of USD1. Kinesis is not liable for any actions, omissions, or representations made by third parties, including but not limited to platforms, exchanges, or marketing entities promoting USD1. Furthermore, Kinesis does not endorse or guarantee any third-party marketing, pricing, or promotional activities associated with USD1, and users should exercise caution when engaging with such third parties. Any losses or damages arising from reliance on third-party statements or activities are solely the responsibility of the user, and Kinesis expressly disclaims any liability in this regard. Investors are advised to only rely on official information provided directly by Kinesis.</p>
Technological and Operational Risks	<p>Blockchain technologies are susceptible to a wide variety of risks, from malicious attacks to technical difficulties and failures, which may result in loss of funds transacted or held over the blockchain, increased transaction costs or delays in execution.</p> <p>Cyber Risk: Cyber-attacks, extreme market conditions, or other operational or technical difficulties could result in the immediate halt of transactions either temporarily or permanently.</p> <p>The nature of USD1 may entice an increased risk of fraud or cyber-attack, including (but not limited to) rollback attacks or blockchain reorganisations. These types of attacks, if successful, can result in loss in some or all of your USD1.</p> <p>Blockchain and Network Risks: USD1 relies on blockchain technology, which can be vulnerable to outages, cyber-attacks, and technical disruptions. Network congestion, high fees, or attacks on the blockchain network could affect the usability, security, and availability of USD1.</p> <p>Smart Contract Risks: USD1 operates on smart contracts that manage transactions and peg stability. Any flaws, bugs, or vulnerabilities in the smart contract code could lead to malfunction, security breaches, or unintended behavior that impacts holders.</p> <p>Technological Obsolescence: Blockchain and related technologies are rapidly evolving. If underlying technology of Kinesis USD1 becomes outdated or incompatible with future platforms, this may affect its usability, security, or value.</p>
Liquidity and Debt Claim Risks	<p>Liquidity Constraints: Liquidity of USD1 depends on the ability of Kinesis to fulfill redemption requests. During periods of high</p>

	<p>demand, market stress, or issuer limitations, users may face delays or restrictions when redeeming USD1 for US dollars.</p> <p>Fees and Policies: Kinesis may apply fees to transactions or restrict redemption policies, affecting the overall value that holders receive. Changes in policies could impact the ease of converting USD1 back to fiat currency.</p> <p>Counterparty Risk: If Kinesis relies on third-party institutions to manage reserves or process debt claims, any financial or operational issues affecting these institutions could disrupt or delay the debt claim which USD1 confers.</p>
Counterparty and Issuer Risks	<p>Reliance on Kinesis: The stability and functionality of USD1 depend on Kinesis. Operational failures, financial mismanagement, or insolvency of Kinesis could directly impact the stability, usability, and debt claim conferred by USD1 ownership.</p> <p>Custodial Risks: Reserve assets may be held by third-party custodians. Financial or operational issues with these custodians, such as insolvency or regulatory action, could impair access to the reserves backing USD1, potentially reducing the asset's value.</p> <p>Lack of Insurance or Legal Protections: Unlike deposits in traditional financial institutions, USD1 and its reserves are generally not insured. This means that in the event of financial loss or insolvency of Kinesis or its custodians, holders may not have legal recourse to recover funds</p>
Reputational and Market Confidence Risks	<p>Perception and Trust: The stability of USD1 relies on user confidence in Kinesis and its reserve practices. Negative media reports, public statements, or regulatory actions against Kinesis or stablecoins in general could affect market confidence in USD1, impacting its value and usage.</p> <p>Sector-Wide Risks: Instability in other stablecoins or digital assets may create market contagion, where issues with one stablecoin negatively affect the perception and trust in others, including USD1.</p>
Sector-Specific and Macroeconomic Risks	<p>Digital Asset Market Risks: USD1 exists within the broader digital asset market, which is highly volatile and speculative. Changes in market sentiment toward digital assets could impact USD1's demand, liquidity, and stability.</p> <p>Macroeconomic Factors: Fluctuations in interest rates, inflation, and global economic stability may impact USD1's perceived value, reserve asset quality, or peg stability.</p>
Immutability	<p>USD1 are built on immutable blockchains. This means that any incorrect or unauthorised transactions that are confirmed are</p>

	<p>unable to be reversed and can only be recovered by the recipient agreeing to return the USD1 by a separate transaction. In other words, Stablecoin USD1 transactions are not reversible or recoverable by a central authority. Erroneous transactions may result in irreversible loss of your funds.</p> <p>Once you send USD1 to a specified address, there is a risk that you may lose access to, and any claim on, those USD1 indefinitely or permanently because, for example, an address may have been entered incorrectly. Losses due to fraudulent or accidental transactions may also not be recoverable.</p>
Environmental impact	Certain USD1 have a substantial environmental impact. This impact may cause other risks, including potential future regulation or negative market sentiment, which could impact the value of relevant USD1.
Risk of misleading information	Information available to consumers wishing to buy USD1 is limited and may be misleading as it can be incomplete, difficult to understand and fail to properly disclose the risks of USD1. You should carefully consider this risk before you purchase any given USD1.

4 Risks related to Using Kinesis Services

Risk	Description
Platform and operational Risks	<p>System Outages and Downtime: Kinesis services rely on advanced technology infrastructure to facilitate transactions and manage assets. Technical issues, system upgrades, or outages could temporarily limit access to Kinesis services, delay transactions, or disrupt user access to funds and account management.</p> <p>Operational Vulnerabilities: As with any digital platform, Kinesis services may be subject to operational risks, including cyber-attacks, data breaches, or human errors. These vulnerabilities could lead to data loss, unauthorised access, or service disruption, potentially impacting user funds or account security.</p>
Security and Cybersecurity Risks	<p>Cyber-Attack and Hacking Risks: Kinesis services are exposed to cybersecurity risks, including potential cyber-attacks, hacking, and phishing attempts. While Kinesis implements protective measures, there is no guarantee that the platform is entirely immune to these risks. Cybersecurity incidents could compromise user accounts, personal data, or digital assets.</p> <p>User Account Security: Users are responsible for securing their Kinesis accounts, including safeguarding login credentials and enabling available security features (e.g., two-factor authentication). Failure to implement adequate security practices may expose user accounts to unauthorized access or asset loss.</p>

Error Risk	<p>Kinesis tries to ensure that the information on its website is correct, but it does not give any express or implied warranty that such information will be error-free. To the extent permitted by law, Kinesis does not accept liability for any such error or omission.</p> <p>Kinesis's systems, as well as those of third parties utilised by Kinesis, may be subject to errors, bugs, disruptions, interruptions and communication failures, which may result in delays, errors, temporary suspension or inaccessibility of the services, which might cause damage or loss (including financial loss) to the user of the services.</p>
Third-party Risk	<p>Kinesis conducts in-depth due diligence reviews of any third party, external platform or system, including security, financial and credibility tests. However, Kinesis cannot guarantee that such third parties or platforms will not suffer any breaches, lose assets or fail to return any assets to Kinesis, resulting in financial loss. There is a risk that Kinesis may be unable to process transactions due to an inability to access the storage mechanism or request the transaction with the third-party provider.</p> <p>Third parties, such as payment providers, custodians, and banking partners, may be involved in the provision of Kinesis's services. You may be subject to the terms and conditions of these third parties, and Kinesis may not be responsible for any loss that these third parties may cause to you.</p> <p>Certain external service providers may require you to give them your Application Programming Interface (API) Key to support convenience services. Giving away your API Key is akin to giving away your login credentials. Giving away your API Key to a third party also means the third-party can and will have access to all your Account details, data, and authority to make and give instructions to our API on your behalf. You should exercise extreme caution in verifying the credibility and reliability of third parties that request for your API Key.</p>
Holding of USD1, no custody, private key Risk	<p>You have a right to withdraw the USD1 available in your Kinesis account at any time, subject to Kinesis's Terms of Conditions.</p> <p>Kinesis holds customer USD1 on a 1:1 basis. In other words, Kinesis does not transform USD1 from how they are reflected in customer wallets on its platform. By holding customer assets on a 1:1 basis, Kinesis is not subject to any market risk from price movements in USD1 (but customers remain subject to the market risk of the price of their USD1 moving).</p>

Return of USD1 and fiat currency	You have the right to withdraw USD1 and fiat currency available in your Kinesis account, subject to Kinesis’s Terms and Conditions. However, there is a risk that in the event of insolvency of Kinesis (like any company), you may be treated as an unsecured creditor, in which case your funds may not be recoverable, in whole or in part.
Regulatory and Compliance Risks	<p>USD1 are not legal tender, Kinesis is not a bank or depository institution, and your Kinesis account is not a deposit or savings account. USD1 in your Kinesis account are not held by Kinesis as a custodian or fiduciary, are not insured by any private or governmental insurance plan and are not covered by any compensation scheme. Kinesis does not hold an Australian financial services licence or an Australian credit licence.</p> <p>Legislative and regulatory changes or actions at the state, national, or international level may adversely affect Kinesis’s ability to continue to provide some or all of its services in any particular jurisdiction, continue to support any particular stablecoin continue to serve any specific user or group of users. Accordingly, Kinesis cannot guarantee the continued and uninterrupted provision of the services to you.</p> <p>Compliance with Local Laws: Kinesis services may be subject to varying regulations depending on the user's jurisdiction. Changes in regulatory requirements, tax laws, or compliance obligations could impact Kinesis services or restrict user access. Users are responsible for understanding and complying with the legal requirements in their respective locations when using Kinesis services.</p> <p>Potential Changes in Service Offering: In response to regulatory developments, Kinesis may need to alter, limit, or discontinue certain services in specific jurisdictions. These changes could affect users’ access to certain features or products, and in some cases, may require users to close their accounts or withdraw assets from the platform.</p>
Risk of uninsured losses	USD1 made available via the Kinesis services are uninsured unless you specifically obtain private insurance to insure them. In the event of loss or loss of utility value, there is no public insurer or private insurance arranged by Kinesis to offer recourse to you.
Fees and spreads	Kinesis charges both a fee and spreads on customer USD1 transactions in accordance with its Terms of Conditions. Kinesis attempts to offer attractive fees and spreads to its customers but does not make any claim to you that these fees and spreads are competitive in the broader digital assets market.
Financial and Transactional Risks	Kinesis reserves the right to take measures and apply practices, such as price range application, mandatory limit order application, closure of market orders, and maximum order value

	<p>limit, at its discretion, at any time and for any duration, that may partially or completely prevent or hinder the market performance of the listed USD1.</p> <p>Transaction Fees and Costs: Using Kinesis services may involve transaction fees or other associated costs, which could impact the overall value of transactions. Fees may fluctuate based on network conditions or platform policies, which could increase users' transaction costs unexpectedly.</p> <p>Delay and Settlement Risks: Certain transactions on Kinesis services may experience delays due to network congestion, regulatory processes, or operational factors. These delays may impact the timing of transactions, settlement of funds, or access to digital assets (e.g. USD1), especially during high-demand periods or unusual market conditions.</p>
SMRs reporting	<p>Kinesis adheres to Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) laws and regulations. Any Suspicious Matter Reports (SMRs) will be promptly reported to AUSTRAC as required by these regulations. Additionally, Kinesis reserves the right to take necessary actions to mitigate risks effectively. By using Kinesis's services, you acknowledge and accept these terms.</p>

5 Disclaimer

- 5.1 The market is unpredictable, and past performance is not indicative of future results. Stablecoin trading can be volatile and involves a high degree of risk. Kinesis is not responsible for any losses that may occur as a result of using the Kinesis's services. It is your responsibility to manage your risk properly, including setting stop-loss orders and limiting your exposure to the market.
- 5.2 You agree to take full responsibility for any trades you execute and to bear all the risks associated with USD1 trading. You acknowledge that stop-loss orders may be hit, and this is a part of trading. You agree not to hold Kinesis responsible for any losses that may occur as a result of using Kinesis's services.
- 5.3 By using Kinesis's services, you acknowledge that you have read and understood the terms and conditions and risk disclosure statement, and you agree to comply with them.
- 5.4 Read this document completely before using Kinesis's services. By engaging Kinesis's services, you hereby release all claims against Kinesis for any damages, losses, or claims, whether known and unknown, which arise during or result from your participation in the Kinesis's services, (whether they relate to these risks mentioned above), except in the event of fraud or gross negligence on Kinesis's part. The total liability of Kinesis for claims in the event of fraud or gross negligence on Kinesis's part, will be captured to an amount between AU\$50,000 and AU\$250,000.