POLKAMARKETS RISK DISCLOSURE STATEMENT

Last updated on 23.05.2023

1. GENERAL

This Risk Disclosure Statement aims to provide information, of various kinds, related, directly or indirectly, to the risks associated with the use of the Website and of the Polkamarkets Web App, underlying technology, including the Polkamarkets Protocol, and digital assets, including cryptocurrencies may entail.

The information in this Risk Disclosure Statement does not reflect all the risks that You should consider prior to using the Website, the Polkamarkets Web App and the Polkamarkets Protocol and should be read in conjunction with the **Terms & Conditions**.

Prior to accessing, using or interacting on the Website and Polkamarkets Web App, the user has the duty to, among others, consult the Polkamarkets' relevant documentation, obtain detailed information about the legal, regulatory or other applicable rules, namely related to the purchase, possession or use of cryptocurrencies and tokens developed in Blockchain technologies and financial or legal advice, if considered necessary or appropriate.

2. RISKS RELATED TO POLKAMARKETS PREDICTION MARKETS

Polkamarkets is a protocol created on Ethereum-compatible blockchains (EVMs), which is autonomous and decentralized in its nature, with open-source code available for consultation and use at https://github.com/Polkamarkets, and, therefore, permissionless in its use and development.

The Polkamarkets Protocol and Polkamarkets Web App allow users to create prediction markets according to, *inter alia*, the ideology and technology underlying the platform.

The Polkamarkets Protocol and Polkamarkets Web App have a resolution system, also decentralised, that allows users in case of disputes to place multiple bonds and be rewarded by the correct outcome.

Polkamarkets Labs does not have control or dominion over such markets, the way they are created, the changes that are made to them, the transactions made on the network, or any operation or interaction established between users through the platform and does not have the power or legitimacy to modify, suspend or cancel any markets, orders, transactions, positions or resolutions.

Both protocol and web domain are freely available for consultation and use, giving users the possibility to create different interfaces or even allowing to fork and copy the code, creating a different or similar protocol.

The liquidity of the prediction markets created – or to be created – through the Polkamarkets Protocol or Polkamarkets Web App may be higher or lower depending, among other factors, on the supply and demand on the platform for the specific market in question, the interest shown by users in the respective market, as well as to the actions of liquidity providers.

In this respect, the Polkamarkets Protocol and Polkamarkets Web App allows any user to be a liquidity provider, and liquidity providers are incentivized to provide liquid

markets, while earning trading fees and yield farming rewards. This liquidity provider feature is the effort made by the Polkamarkets Protocol and Polkanarkets Web App to avoid shortage or lack of liquidity in the markets, granting liquidity providers part of the fees from such trades on the Polkamarkets Protocol and Polkamarkets Web App, with all fees collected on the protocol going directly to users and liquidity providers.

In an attempt to grant the best possible experience, and only in a due diligence of means and not of results, Polkamarkets Labs established a relationship with a decentralised protocol which provides the necessary technology and tools to help solve this hypothetical problem, therefore providing decentralised liquidity provisioning to the prediction markets. However, despite all efforts, Polkamarkets Labs cannot guarantee any liquidity or protocol performance given the also decentralised nature of both protocols, free will to discontinue any service, as well as unforeseeable market causes and factors.

Furthermore, as markets are created in an autonomous and decentralised protocol, and therefore without validation and/or intervention of a central authority, there is a risk of limited volume and liquidity in certain situations. A lack of liquidity in any market may result in delays in order execution and some orders may not be executed at all.

3. RISKS RELATED TO THE FUNCTIONING AND OPERABILITY OF THE PROTOCOL

The current version of Polkamarkets Protocol and Polkamarkets Web App are a beta version, still being tested and updated, and, for this reason, the platform may not perform as intendedly designed. It means that You, at this date, may not take full advantage of all the features that the platform is, in theory, able to provide.

As it is a beta version, the protocol may not accurately reflect the intention stated in the smart contracts, FAQs or any other documentation, which may imply several risks, namely, the loss, total or partial, of the cryptocurrencies used in the platform. Polkamarkets Labs is taking steps to mitigate such risks. However, You should be aware that, by using the platform in its current state, you may lose all or part of your cryptocurrencies, and Polkamarkets Labs cannot be held responsible, under any circumstances, for such losses.

4. RISKS RELATED TO CRYPTOCURRENCIES OR OTHER TOKENS DEVELOPED ON BLOCKCHAIN TECHNOLOGIES

The creation of prediction markets and/or the use of the faculties and facilities conferred to You through the aforementioned resolution system, in the context of a dispute, depends on the ownership and possession of certain cryptocurrencies.

Cryptocurrencies or other tokens developed on blockchain technologies, namely those that can be used on the platform for those purposes, may be riskier, less liquid, more volatile and more vulnerable, in particular due to economic, macroeconomic, political, market or industry reasons that are not foreseeable or have not been considered due to the manifest impossibility of forecasting.

The price of cryptocurrencies can be highly unpredictable and volatile when compared to other type of assets and other tradable instruments. Additionally, cryptocurrencies can also become illiquid at any time or circumstance. Polkamarkets Labs does not advise You to buy, hold or use cryptocurrencies or other tokens developed on blockchain

technologies, unless You understand the nature and extent of the exposure to the risks this may entail.

Before acquiring or using any cryptocurrency, You should obtain adequate and reliable information about all aspects related to it and seek legal or financial advice, if necessary.

5. RISKS RELATED TO THE OPERATIONS TO BE PERFORMED ON OR THROUGH THE PLATFORM

Polkamarkets Labs does not provide any banking, financial, credit, investment, brokerage, financial intermediation, crypto asset services, nor place, hold custody, administrate, trade, exchange, facilitate or manage funds, crypto assets, or cryptocurrency wallets for You or on Your behalf. Polkamarkets Labs does not provide any other services than those mentioned in the **Terms & Conditions** applicable to the Website and the Polkamarkets Web App. The Polkamarkets Protocol is a fully decentralised protocol for informational and educational purposes only, with the Polkamarkets Web App displaying existing markets live on the Ethereum blockchain (or sidechains, or other blockchains) and providing only a graphical user interface for visualizing data and interacting with the Polkamarkets Protocol Smart Contracts via users' Web 3 injected wallet.

Polkamarkets Labs does not take any custody of users' cryptocurrency – these users being curators or liquidity providers – and does not take any profits or host over any market.

You are solely and exclusively responsible for the operations You carry out on and through the Website, the Polkamarkets Protocol and the Polkamarkets Web App. It is Your responsibility to ensure that You use the correct address for any cryptocurrency operation on or through the Website, the Polkamarkets Protocol and the Polkamarkets Web App, including the allocation of digital assets, and that such digital assets are valid, appropriate and suitable for performing the intended task.

Any inaccuracy regarding the address indicated by You or the cryptocurrency used in the operation may result in the loss, total or partial, of the respective digital asset.

Polkamarkets Labs does not have, make available or is legally obliged to have any system or scheme that guarantees the protection of cryptocurrencies, particularly in the event of an error in the specification of the address or cryptocurrency, nor does it under any circumstances assume any compensation for damages caused as a result of such or similar error, which, in view of the above, shall always be attributable to the user. You may, at Your own free will, conclude an insurance contract or other, with a third-party entity, that covers the risks for losses and damages caused in such situations.

6. RISKS RELATED TO CYBERSECURITY

Malicious individuals, groups or organisations may attempt to interfere, in various ways, with the normal and proper functioning of the Website, the Polkamarkets Web App or the Polkamarkets Protocol, including through malware attacks, denial-of-service attacks, coordinated attacks, takedowns and submission of fake transactions (including spoofing) which are likely to affect, inter alia, the operability of the platform, the availability of the services it aims to provide, the smart contracts inherent to the platform, and the digital assets allocated or to be allocated to the platform/protocol.

With the increasing use of technologies and reliance on IT systems to perform certain functions, the platform, the services it provides, and the digital assets allocated or to be allocated to the platform are susceptible to operational and information security risks.

In general, cyber incidents may result from deliberate attacks or from unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorised access to digital systems for the purpose of misappropriating sensitive assets or information, data corruption, or operational disruption. Cyber-attacks can also be carried out in a manner that does not require obtaining unauthorised access, such as causing denial-of-service attacks on infrastructure. Cyber security failures or breaches by third party service providers may have a negative impact on the platform, the services it provides and the digital assets that are or have been allocated to it.

You are the sole responsible for ensuring:

(a) that the credentials, software, noncustodial wallet or extension You use to access or interact on the platform or to execute, through it, any operation, and all elements associated with or related to such (e.g. username, password and authentication factors) are kept secure and confidential;

(b) the security and integrity of any systems (both hardware and software) or services which You use to access the platform and services which it makes available.

7. RISKS RELATED TO POSSIBLE MODIFICATIONS OF THE PROTOCOL

Polkamarkets Web App and Polkamarkets Protocol may be modified at any time as a result of changes to its underlying technology and/or for security reasons, among other factors. Modification of the protocol may include, inter alia, a "fork", a "rollback", an "airdrop", or a "bootstrap".

The modification of the protocol or the occurrence of a failure in its operation may result in the loss, in whole or in part, of the digital assets allocated or to be allocated to the platform and/or a decrease, significant or otherwise, in its value.

Polkamarkets Labs shall under no circumstances be liable for any changes made to its protocol or the consequences thereof, including any damages and losses caused as a result of such changes.

THIS RISK DISCLOSURE STATEMENT SHALL BE READ IN CONJUNCTION WITH THE **TERMS & CONDITIONS** and all capitalised terms used in this Risk Disclosure Statement have the same meaning in this Risk Disclosure Statement as in the Terms & Conditions, unless expressly defined otherwise herein.