RISK POLICY

The Nugget Trap project by Cunningham Mining represents an innovative approach to investing in gold-backed digital assets. Leveraging blockchain technology, Cunningham Mining provides a new level of transparency, accessibility, and liquidity for investors, allowing them to participate in asset-backed mining activities, specifically gold mining in British Columbia's Golden Triangle.
This project offers users the opportunity not only to invest in gold reserves but also to participate in the digital asset ecosystem through the Nugget Trap token (NGT), which acts as a fractional digital representation of physical gold. Through decentralized smart contracts, investors can conduct direct transactions and interact with various services provided on the platform.

The primary advantage of Nugget Trap lies in reducing barriers to entry for gold investments, ensuring transaction transparency, and enhancing asset security, all achieved through blockchain technology. However, investing in digital assets always carries certain risks, including high market volatility, regulatory changes, and technical or operational risks. Therefore, Cunningham Mining encourages investors to carefully review the risks, terms, and conditions of the platform to make informed decisions about participating in the project.

Nugget Trap's innovative approach makes the project attractive to investors and beneficial to local communities and ecosystems where mining takes place. Through partnerships with local communities and transparent environmental initiatives, Cunningham Mining supports responsible mining activities aimed at sustainable development and environmental preservation.

REGULATORY COMPLIANCE RISKS

Regulatory risk relates to compliance with laws and regulations, which are constantly evolving in the field of digital assets, especially those backed by real commodities like gold. As the Nugget Trap project operates in the blockchain technology, crypto-assets, and gold-backed assets sectors, it encounters a range of regulatory requirements that demand special attention.

Components of Regulatory Risk:

1.**Canadian and Provincial Legislation:**

- In Canada, the regulatory environment for crypto-assets is still evolving, and each province has its own requirements and standards. Key requirements pertain to securities and derivatives, which are governed by the Canadian Securities Administrators (CSA). The CSA oversees the circulation of assets that may fall under the definition of investment contracts or securities.
- Risk of Compliance with CSA Requirements: If the Nugget Trap token (NGT) is recognized as an investment contract, the company must comply with requirements, including registering the token as a security. Non-compliance could lead to fines, operational restrictions, or loss of the ability to sell tokens in certain jurisdictions.

2.**Anti-Fraud and Anti-Money Laundering (AML) Measures:**

- As a company engaged in financial transactions and investment tools, Cunningham Mining is obligated to comply with anti-money laundering (AML) and anti-terrorism financing requirements. This includes Know Your Customer (KYC) processes to identify potential fraud risks and prevent illegal transactions.

- Risk of Improper KYC/AML Compliance: Failure to comply with these procedures could result in financial penalties, a loss of investor trust, and potential government intervention that may restrict platform operations.

3.**Ongoing Changes in Legislation and Regulations:**

- The cryptocurrency and digital asset industry is rapidly evolving, and given growing regulatory interest, the legal framework for working with crypto-assets is continuously updated. New requirements may include additional registration procedures, reporting obligations, and restrictions on token circulation.
- Risk of Unexpected Regulatory Changes: If new legislation or regulatory acts change the status or operational rules for tokens, the company may need to adapt its operational processes, which could require time and additional expenses. This could also impact token availability for investors and cause project delays.

4.**International Compliance Risk:**

- As Cunningham Mining aims to attract investors from various countries, it is important to consider international regulatory requirements. For example, in the United States, crypto-assets are also regulated by the Securities and Exchange Commission (SEC), which has strict rules regarding tokens that may be considered securities.
- Risk of Non-Compliance with Other Countries' Requirements: The company may face market access restrictions if the token does not meet foreign regulatory standards. This could result in the loss of potential investors and decreased token liquidity.

Measures to Mitigate Regulatory Compliance Risks:

1.**Engaging Legal Advisors:**

- Cunningham Mining collaborates closely with legal advisors who specialize in blockchain technology and crypto-assets to ensure compliance with legislation at all stages of the project.

2.**Developing Internal Policies and Procedures:**

- The company is creating policies to monitor regulatory changes and respond quickly to new requirements. This includes regularly updating KYC/AML procedures and policies for asset storage, accounting, and verification.

3.**Regular Audits and Reporting:**

- Cunningham Mining conducts regular audits of its processes and ensures complete operational transparency, reporting to relevant regulatory bodies. This helps to build investor confidence and ensure industry-standard compliance.

Thus, regulatory risk is a critical aspect of the Nugget Trap project, and its management is aimed at ensuring the legality of operations, reducing risks for investors, and supporting the long-term stability of Cunningham Mining in the emerging digital asset sector.

FINANCIAL LIQUIDITY RISKS

The financial liquidity risk concerns the ability to convert Nugget Trap (NGT) tokens into other assets or cash without significant value loss. In the context of this project, it entails the presence of markets and financial resources to ensure adequate liquidity to support operations and meet investor demands.

Components of Liquidity Risk:

1.**Market Liquidity of Tokens:**

- For tokens backed by real assets (like gold), it is essential to ensure they can be readily bought or sold on exchanges. NGT's liquidity depends on the availability and trading volume on cryptocurrency platforms. If trading volumes are low or demand for tokens decreases, investors' ability to sell their tokens at a fair price may be restricted.
- Risk of Low Liquidity on Exchanges: In cases of insufficient liquidity on cryptocurrency exchanges, tokens may depreciate or face value loss upon conversion into other assets, potentially causing investor losses and undermining trust in the project.

2.**Dependence on Gold's Market Value:**

- The Nugget Trap token is backed by real gold assets, so its value may depend on fluctuations in the global gold market. If the gold price drops significantly, this may decrease the token's value, directly affecting liquidity.
- Risk of Gold Market Volatility: Global gold price instability can add pressure to the token's liquidity, as investors may lose interest in depreciated assets. This could reduce demand for tokens and complicate the selling process.

3.**Impact of Overall Cryptocurrency Market Volatility:**

- The cryptocurrency market is known for its volatility, and NGT tokens are no exception. As a digital asset, Nugget Trap's value may fluctuate significantly depending on market conditions and cryptocurrency price changes.
- Risk of Cryptocurrency Volatility: Sudden declines in the value of major cryptocurrencies (such as Bitcoin or Ethereum) can affect the liquidity and stability of NGT. This risk can only be partially mitigated, as even gold backing may not fully shield against crypto market fluctuations.

4.**Current and Reserve Financial Obligations of the Project:**

- Cunningham Mining incurs operational costs and must maintain the servicing of tokens on the platform, including administration, technical support, and legal consultation. Sufficient liquidity reserves are critical for maintaining the project's stability.
- **Risk of Insufficient Reserves**: If reserves are inadequate to cover the project's ongoing expenses or operational obligations, it could result in delays in fulfilling obligations to investors. This situation could negatively impact the project's reputation and NGT token stability.

Measures to Mitigate Liquidity Risks:

1.**Ensuring Exchange Liquidity:**

- Cunningham Mining plans to ensure the presence of NGT tokens on multiple reliable cryptocurrency exchanges. This will create backup trading channels and improve token accessibility, reducing the risk of low liquidity on a single market.

2.**Financial Hedging to Protect Against Market Value Fluctuations:**

- To protect the project from gold market fluctuations, the company uses hedging strategies, including reserving part of its assets in more stable currencies or instruments. This will reduce tokens' dependency on sudden changes in gold's market value and help stabilize NGT's price.

3.**Reserve Funds to Ensure Stability:**

- Cunningham Mining is creating a reserve fund to cover a portion of operating expenses and serve as a buffer in cases of sudden liquidity drops or other unforeseen circumstances. This fund will help maintain project stability and reduce the risk of unfulfilled financial obligations to investors.

4.**Liquidity Risk Monitoring and Management:**

- The company is implementing a real-time liquidity monitoring system to assess risks and respond quickly to changing market conditions. This includes analyzing trading volumes, price fluctuations, and reserve indicators to identify potential liquidity threats at an early stage.

Thus, financial liquidity risk is a key factor for the stability of the Nugget Trap project and the protection of investor interests. Risk management measures focus on ensuring the accessibility and liquidity of NGT tokens, which helps to maintain investment stability even in challenging market conditions.

OPERATIONAL RISKS

Operational risks are associated with the potential for disruptions in mining processes, infrastructure management, technology use, and the specific geographical challenges of the Nugget Trap project, located in the remote Golden Triangle region of British Columbia. For the successful operation of the project, Cunningham Mining focuses on implementing technologies and process planning to minimize operational risks.

Components of Operational Risks:

1.**Technology and Process Automation Risks:**

- Cunningham Mining employs advanced automated technologies, such as drones for area monitoring and sensors for ore quality control, to improve efficiency and precision in mining. However, such technologies require regular maintenance and updates.
- Risk of Technological Failures: Failures in automated systems, including sensors or drones, could halt mining operations or decrease work quality, leading to delays and financial losses.

2.**Risks Due to the Remote Location of the Mining Site:**

- The Nugget Trap site is in a remote, hard-to-access area, making it challenging to transport equipment, personnel, and maintain uninterrupted supply chains. Additionally, the region faces extreme weather conditions, such as harsh winters and periodic snowstorms.
- Risk of Delays in Logistics and Maintenance: Access difficulties may complicate timely resource supply, equipment repairs, and on-site team management, potentially causing delays in production and increased operational costs.

3.**Human Factor Risks:**

- Mining requires highly skilled specialists in mining engineering, geology, and technical maintenance. Training and retaining experienced workers is crucial for achieving project goals, especially given the remote location.
- Risk of Insufficient Training or Lack of Qualified Personnel: Insufficient training or a shortage of qualified workers could lead to errors or reduced efficiency, impacting the stability and effectiveness of mining processes.

4.**Seasonal Climate Risks:**

- The remote Golden Triangle region has a limited season for active mining due to harsh winter weather, which restricts the working period. Winter conditions can make the site difficult to access.
- Risk of Reduced Mining Season: A short mining season adds pressure on mining processes, requiring high operational efficiency. Delays in equipment deployment at the season's start or worsening weather can lead to significant time and resource losses.

5.**Regulatory and Environmental Compliance Requirements:**

- Cunningham Mining must adhere to strict environmental standards that demand responsible use of natural resources, water, and waste management, including working with local communities to ensure corporate social responsibility.
- Risk of Non-Compliance with Environmental Requirements: Breaching environmental standards or failing to meet obligations to local communities could result in fines, temporary work suspensions, or loss of mining permits.

Measures to Mitigate Operational Risks:

1.**Implementation of Equipment Management Systems and Backup Technologies:**

- Cunningham Mining has monitoring and maintenance systems to promptly detect and resolve technical issues. The use of backup technology and additional drones will help continue operations in case of primary equipment failures.

2.**Careful Logistics and Resource Planning:**

- The company develops detailed logistical plans for transporting equipment, supplies, and personnel to the mining site. Resource planning includes stockpiling near the site to ensure quick access to materials and spare parts during adverse weather.

3.**Employee Training and Motivation:**

- Cunningham Mining invests in employee training to improve skills and knowledge in mining process automation. The company also considers motivation and compensation programs to retain professionals involved in mining operations.

4.**Flexible Work Planning Considering Seasonal Constraints:**

- The company creates mining plans that account for climate risks, maximizing the limited available season’s effectiveness. This includes rapid equipment deployment at the season's start and swift site closure for winter to minimize losses.

5.**Ensuring Environmental Compliance and Corporate Social Responsibility:**

- Cunningham Mining actively engages with local communities to consider their interests and support mutually beneficial partnerships. The company also invests in water quality

control, waste management, and environmental impact reduction measures to meet the highest environmental standards.

Thus, operational risks for the Nugget Trap project are largely influenced by location specifics and the use of new technologies. Through these risk management measures, Cunningham Mining reduces the likelihood of disruptions, delays, and additional costs, ensuring safe and efficient mining operations in a remote environment.

ENVIRONMENTAL RISKS

Environmental risks concern the potential negative impact of mining activities on the environment, local ecosystems, water resources, and air quality. Cunningham Mining operates in British Columbia's Golden Triangle, a region with unique flora and fauna and valuable water resources crucial for local communities, including Indigenous peoples. Adhering to environmental standards and implementing measures to preserve the natural environment is a priority for the Nugget Trap project.

Components of Environmental Risks:

1.**Risk of Water Resource Contamination:**

- Mining processes often require large amounts of water, which can lead to contamination with toxic substances and heavy metals. Improper water resource management can harm rivers and lakes, which serve as drinking water sources for local communities.
- Risk of Negative Impact on Local Water Resources: If proper wastewater treatment is not followed, this can lead to the contamination of rivers and groundwater, affecting ecosystems and local residents' health.

2.**Risk of Soil Degradation and Vegetation Loss:**

- Gold mining can disrupt the topsoil and damage vegetation, leading to erosion, decreased soil fertility, and loss of biodiversity.
- Risk of Soil Erosion and Depletion: Vegetation loss and soil disturbance during mining operations can accelerate erosion, especially during heavy rains. This could negatively impact the ecosystem and hinder the regrowth of vegetation.

3.**Impact on Wildlife and Biodiversity:**

- The Golden Triangle region is home to numerous animal species, some of which are endangered. Mining activities can produce noise, vibrations, and pollution, which can harm local wildlife and potentially alter their migration routes or habitats.
- Risk of Disrupting Animal Habitats: The impact of mining on the region's biodiversity could lead to a decrease in certain species or even their displacement, which may have long-term consequences for the ecosystem.

4.**Waste Generation Risks:**

- Gold mining generates significant waste that may contain harmful substances, including heavy metals and chemicals used in ore processing. Improper waste management can result in environmental contamination.
- Risk of Contamination from Uncontrolled Waste Accumulation: If waste is not stored or disposed of according to environmental standards, it can lead to long-term pollution, making land reclamation challenging and posing ecological risks.

5.**Impact on Local Communities:**

- Local communities, especially Indigenous peoples, may experience significant impacts from mining activities that affect the environment. This can disrupt traditional farming, access to clean water, and hunting or gathering practices.
- Risk of Socio-Environmental Conflicts: Negative environmental impacts and resource limitations can lead to conflicts with local communities who depend on these resources. This can damage the company's reputation and lead to protests or legal disputes.

Measures to Mitigate Environmental Risks:

1.**Water Resource Monitoring System:**

- Cunningham Mining uses water quality monitoring systems to control pollution levels in water bodies, enabling rapid responses to rising contamination. Additionally, the company implements wastewater treatment systems before discharge, minimizing the risk of pollution.

2.**Revegetation and Soil Stabilization:**

- After mining activities are complete, the company plans land reclamation measures, including vegetation restoration and soil stabilization, to reduce erosion risk and return the area to its natural state. This will also help preserve biodiversity and prevent land degradation.

3.**Minimizing Impact on Biodiversity:**

- Cunningham Mining follows practices to minimize noise, dust, and vibrations that may negatively affect local wildlife. The company also studies the local ecosystem and complies with requirements to protect endangered species, minimizing impact on biodiversity.

4.**Waste Management:**

- The company enforces safe storage and disposal policies for waste generated during mining processes. This includes waste sorting, using protected landfills for storage, and preventing harmful substances from entering the environment. Modern processing and ore cleaning methods reduce waste amounts.

5.**Engagement with Local Communities and Environmental Education:**

- Cunningham Mining actively collaborates with local communities, especially Indigenous groups, to respect cultural values and rights. The company consults with local communities and supports social and environmental projects to preserve natural resources and improve living conditions.

Environmental risks are key considerations for the Nugget Trap project, and Cunningham Mining's measures aim to minimize environmental impact, conserve natural resources, and create sustainable and socially responsible mining practices, ensuring long-term stability and support from local communities.

TECHNOLOGICAL RISKS

Technological risks involve potential issues with the operation and security of the technological solutions that Cunningham Mining uses for management, mining, and tokenization of assets in the Nugget Trap project. This project relies heavily on automated systems, blockchain technology, and other digital tools to ensure operational accuracy, data security, and transparency in asset management.

Components of Technological Risks:

1.**Cybersecurity and Protection Against Cyber Threats:**

- Since the Nugget Trap project uses digital platforms and blockchain for token management, it may become a target for cybercriminals attempting to hack systems to steal funds or data, particularly tokens stored in online wallets, which may be vulnerable to attacks.
- Risk of Cyber Attacks and Data Breaches: Cyberattacks could result in loss of investor funds and leakage of confidential information, potentially destroying investor trust and seriously damaging the company's reputation.

2.**Reliability of Blockchain Technology and Smart Contracts:**

- Using blockchain technologies and smart contracts for token management and transactions requires these systems to be reliable and resistant to failures. Any errors in smart contracts can lead to a loss of control over assets or transaction blockages.
- Risk of Smart Contract Errors: Coding errors in smart contracts can lead to unforeseen issues, such as incorrect transactions or frozen funds, creating legal and financial difficulties and complicating access to tokens.

3.**Reliability and Stability of Automated Systems and Equipment:**

- Cunningham Mining uses automated systems for monitoring and managing mining operations to increase efficiency and reduce dependency on human input. However, these systems require regular maintenance and may experience failures.
- Risk of Equipment Malfunctions: Unreliable equipment or system failures could delay mining operations or even temporarily halt them, resulting in losses and additional costs for repair or replacement.

4.**Scalability and Performance of the Blockchain Platform:**

- The scalability of the blockchain platform used for Nugget Trap token transactions could become a critical issue, especially with high user activity. Slow blockchain performance or transaction delays can affect liquidity and the overall user experience.
- Risk of Low Blockchain Network Performance: Under heavy load, the blockchain platform may experience significant delays in transaction confirmations, impacting the timeliness of token transactions and reducing their appeal to investors.

5.**Integration and Compatibility with Other Technologies:**

- To ensure platform reliability, Cunningham Mining integrates various technological solutions, such as analytical tools, automated sensors, cybersecurity modules, and more. Integration issues could complicate platform management and reduce its efficiency.
- Risk of Technology Incompatibility: Incompatibility or integration issues between technologies could lead to data loss, platform malfunctions, or disruptions in standard asset management processes.

Measures to Mitigate Technological Risks:

1.**Enhanced Cybersecurity Measures:**

- Cunningham Mining implements a multi-layered cybersecurity system to protect data and assets from cyberattacks, including data encryption, multi-factor authentication, regular security audits, and monitoring suspicious activity to prevent unauthorized access.

2.**Auditing and Testing of Smart Contracts:**

- Before launching smart contracts, the company conducts independent audits to identify possible vulnerabilities. Regular updates and testing of smart contracts help minimize error risks and ensure secure execution of contract terms.

3.**Regular Maintenance and Backup Equipment:**

- Cunningham Mining plans regular maintenance of automated systems and mining equipment. Backup equipment allows operations to continue in case of main system failure, helping to minimize delays in mining and reduce stoppage risks.

4.**Preparing for Blockchain Platform Scaling:**

- To ensure stable platform performance under high load, Cunningham Mining selects a high-performance blockchain network or uses multi-layered technological solutions, such as off-chain channels, for faster transactions, avoiding delays and ensuring smooth operation even with growing transaction volume.

5.**Compatibility Testing and Integration with Other Technologies:**

- New technology solutions are thoroughly tested for compatibility with existing systems before implementation. This avoids conflicts between modules and ensures efficient platform operation. The company also plans regular software updates and optimizations to enhance stability.

6.**Employee Training and Skill Development:**

- Cunningham Mining invests in employee training on cybersecurity, smart contract management, and technical maintenance, allowing the team to quickly identify and respond to potential technical issues, reducing the risk of human error in case of incidents.

Overall, technological risks are a significant factor in the operation of the Nugget Trap project, which relies on advanced technologies for mining, monitoring, and managing tokenized assets. Cunningham Mining's measures aim to ensure data security, equipment reliability, and digital platform stability, making the project more resilient to technical challenges.

ASSET OWNERSHIP AND MANAGEMENT RISKS

This category of risks pertains to the legal and technical assurance of ownership rights, asset management procedures, and adherence to protocols that ensure secure storage and circulation of assets. Cunningham Mining uses blockchain and smart contracts for gold tokenization, enabling investors to acquire tokens backed by real gold reserves. Proper asset management practices are essential to protect investor rights and maintain asset integrity.

Components of Asset Ownership and Management Risks:

1.**Token Ownership and Gold Reserve Backing:**

- Cunningham Mining commits to backing each Nugget Trap token with a corresponding amount of physical gold. Maintaining an exact match between gold reserves and issued tokens is critical for investor trust. Any discrepancy could lead to legal and financial issues, jeopardizing the project's reputation.
- Risk of Inaccurate Backing: If the stored physical gold does not match the issued token quantity, this could result in investor distrust, legal claims, and token value depreciation.

2.**Compliance with Ownership Transfer Procedures:**

- To protect investor rights, Cunningham Mining develops transparent token ownership transfer procedures, including investor identification, account management, and thorough transaction audits.
- Risk of Fraud or Registry Errors: Failure to follow identification procedures or improper maintenance of the ownership registry could lead to fraud or errors in asset distribution, negatively impacting project trust.

3.**Asset Storage and Security:**

- The physical gold backing Nugget Trap tokens requires secure storage in high-security vaults. Inadequate storage or lack of contingency plans could compromise asset security.
- Risk of Loss or Theft of Physical Gold: If gold storage is insufficiently secure, there is a risk of loss or theft, which would jeopardize token value and could result in investor losses.

4.**Separation of Client and Company Assets:**

- Cunningham Mining ensures that investor assets are stored separately from the company's operational assets. This separation protects investments in case of force majeure or company financial challenges.
- Risk of Asset Commingling: If investor assets are mixed with the company's operational assets, there is a risk of loss or improper asset allocation in case of financial difficulties or bankruptcy.

5.**Asset Management Transparency:**

- To strengthen investor confidence, the company ensures transparency in asset management, including providing access to information on gold reserves, token volume reports, and periodic audits.
- Risk of Insufficient Transparency: Lack of openness and clear asset reporting could result in investor distrust and negatively affect the project's reputation.

Measures to Mitigate Asset Ownership and Management Risks:

1.**Regular Audits and Gold Inventory Checks:**

- Cunningham Mining conducts regular audits of gold reserves backing the Nugget Trap tokens. Involving independent auditing firms ensures objectivity in assessments and confirms the alignment between token quantities and gold reserves, mitigating inaccurate backing risks.

2.**Strict Compliance with Ownership Identification Procedures:**

- To ensure accurate token ownership records, the company uses reliable identification methods and maintains a thorough asset registry. This includes investor identity verification, transaction recording, and timely updates to reduce fraud and asset distribution errors.

3.**High-Security Physical Asset Storage:**

- The company ensures that physical gold is stored in secure vaults with stringent safety standards, including 24/7 video surveillance, restricted access, and contingency measures. This helps minimize the risk of asset loss or theft.

4.**Separation of Client and Company Assets:**

- Cunningham Mining follows a policy of separating investor assets from company operational assets. This ensures investor asset protection in the event of company financial difficulties and prevents fund commingling, safeguarding client investments.

5.**Reporting and Transparency in Asset Management:**

- The company regularly publishes reports on physical asset volumes backing the tokens and informs investors about the current reserve status, strengthening investor trust and ensuring transparency in asset management.

6.**Using Blockchain Technology for Ownership Tracking:**

- Blockchain allows for a transparent and immutable token ownership registry, reducing the risk of fraud or errors in ownership records and providing investors with asset security and ownership stability.

7.**Insurance of Physical Assets:**

- For additional protection of stored physical assets, Cunningham Mining considers insuring gold reserves against force majeure events, such as natural disasters or losses due to theft. This can help compensate investors for potential asset damage or loss.

CONCLUSION

The Nugget Trap project by Cunningham Mining implements a comprehensive risk management approach covering regulatory, financial, operational, environmental, and technological aspects, as well as asset management practices. By strictly adhering to regulatory requirements, ensuring transparency, utilizing advanced security technologies, and adopting a responsible environmental policy, Cunningham Mining aims to build investor reliability and trust while minimizing potential risks. This strategic approach makes the project not only an innovative investment opportunity but also a model of sustainable development in the mining industry.