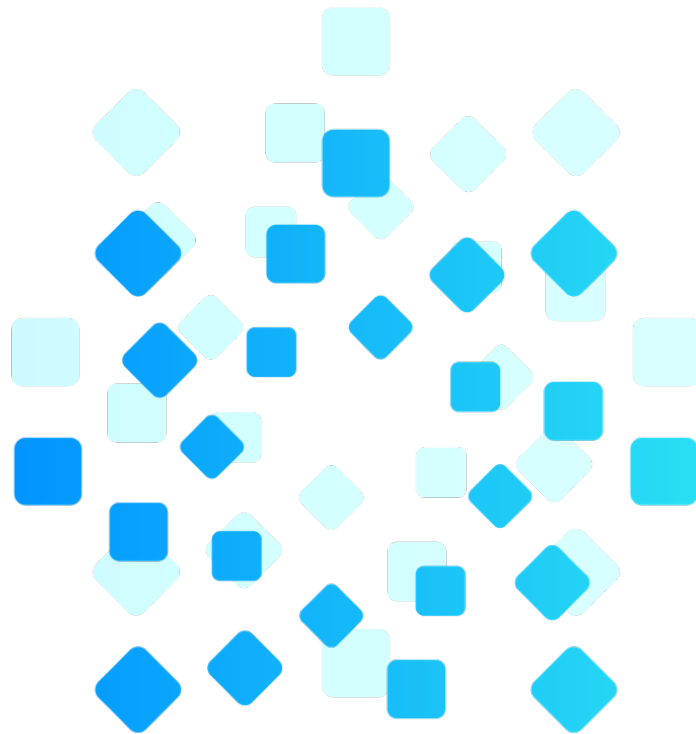


BlackFort Exchange Network

BXN

Whitepaper V1.0



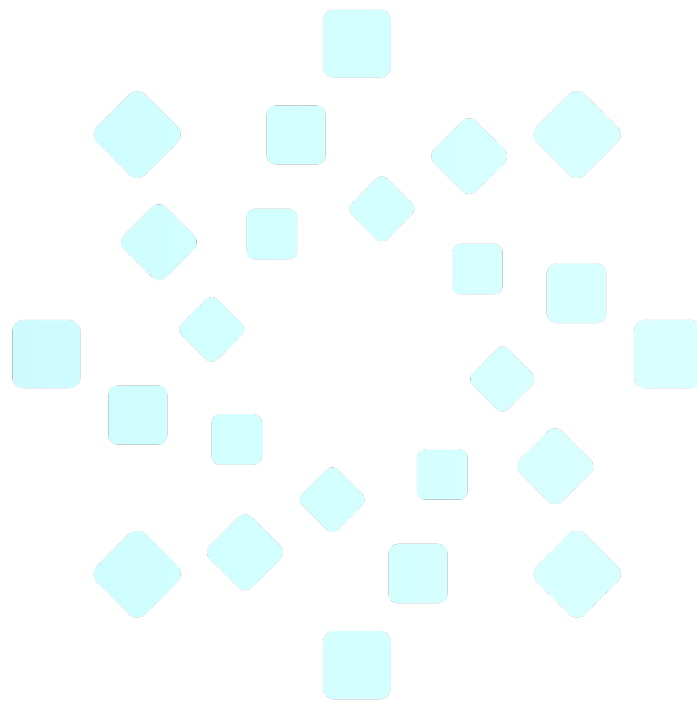
BXN BLACKFORT
EXCHANGE NETWORK

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BXN BLACKFORT
EXCHANGE NETWORK

1 Introduction

The cryptocurrency market and user base grow rapidly day by day. The number of wallet holders is growing at around 10% per quarter, that's ~46% growth per year (1). The company's view is that there are multiple kinds of cryptocurrency wallet and service providers out on the market each with its own pros and cons. Through thorough research we have found that there are multiple thought processes of different wallet creators. Firstly, there are those that provide holding of cryptocurrency assets with no other services provided. These can take the form of client-side or server-side where the client has full control of their assets or hand over their ultimate control to the entity providing the service. This has in the past led to exchanges providing wallet services with disastrous results for both users and the controlling entity (2). Others provide services in selling or buying. This usually involves using a wallet and then a third party to be able to access the other services (swaps, holding, buying and selling). It has its own problems including lag, lost funds as well as just a general lack of will to use multiple third parties to achieve the end result. Usually the process will involve multiple sign ups, passwords and just a general privacy loss due to handing over information to a lot of service providers and varying AML/KYC requirements. BlackFort Wallet and Exchange wants to provide the user with an all the user needs in one service provision. Where you sign up, a user's own client-side wallet and a single platform to execute all your cryptocurrency needs from a to z. In the quickest, easiest and smoothest possible way. While simultaneously catering to small businesses and large ones alike for a payment solution integrated with our service. Finally it is the goal to build blackfort's own Cryptocurrency blockchain technology called BXN or Blackfort Exchange Network. This serves the purpose of providing a platform, with fast and efficient transactions and smart contract interactions in the world of WEB 3.0.

2 Challenges in the Market

Some of the challenges BlackFort's Team have encountered in the market as early adopters and cryptocurrency professionals are.

2.1 Difficulty navigating UI

Some of the most common issues encountered is putting up a cryptocurrency wallet or service with the most basic of functions and letting the users figure out how to navigate the UI and its functions because this is a first of its kind and the features count more than UI. This is a common theme when market voids have to be filled at a rapid pace.

BlackFort has explored multiple platforms and used features that are known to make entering the cryptocurrency space for users easier whether being an experienced user or not.

2.2 Lack of multiple services in one place.

Using cryptocurrencies is not just about holding it on a wallet and leaving it there forever to be forgotten. A user needs to first buy or acquire some crypto. This in itself is not always the easiest step especially when a user has never done this before. To make this simpler BlackFort has integrated the option to buy with bank cards and in the future the option to purchase via bank transfer directly. Other users may have bitcoins but want to have some XRP, the usual process is to sign up to an exchange and then buy the XRP with the bitcoins. That would mean a sign up, user verification (multiple verification levels) as well as providing other personal details. BlackFort is providing a direct swap mechanism in the application that will let users swap in the app seamlessly and also have the ability to convert all their holdings directly to USDT which means volatility in assets is removed.

2.3 Referral systems

Most referral systems in the market aim to make a one-off bonus on a sign up with no further benefits. This limits users to the organic spread of the market with no extra enticement. BlackFort is introducing a token economy for the users to earn and benefit from spreading the wallet and nodes and have earnings based on the referrals they make as long as they actively participate in the wallet's products and wider community.

3 Preperation to go to market

3.1 Multi-Currency Client-side Cryptocurrency Wallet App

The multi signature feature is the fact that the user's multi-coin wallets are generated from the same mnemonic phrases. This provides the user with the opportunity to sign into the user's wallets any time without limitations or restore in any other compatible wallet, whether hardware or software.

What is a Client-Side Cryptocurrency Wallet?

It is an app that is completely focused on the client ownership and control. This type of wallet application works in the following way. The client side means private and secure. Why? The private keys to your wallet are not kept on any servers but instead are stored on your device and never leave it. They are created entirely on your device, and no one can get access to them or steal them. Even if there should be a hack attack on the server of your wallet your funds are safe. You can just import your mnemonic into another wallet

provider, hardware or software should service stop or safety becomes a concern.

What are the advantages of this?

- Completely safe and protected. Just keep the mnemonic phrases safe and use a password for your device
- The user's private keys are only the users. No third party can have access to them.
- The user's funds are always readily accessible without any hindrance.
- The user can choose any another wallet and access or transfer their funds with the mnemonic phrases.

What are some of the disadvantages?

- The user needs to trust the operational system of their device and its security
- The user has a risk of losing access to their funds. If they lose their mnemonic phrase. If they misplace or store their 12-word phrase in an exposed place, no one can possibly open the wallets again.

Another important point with this kind of wallet is the private keys. What are they needed for? A private key is a sophisticated form of cryptography that allows a user to access their cryptocurrency anytime. Sounds complicated? Simply think of it like the "signature" that a user would give for each transaction. With the help of this "signature" the transaction will be identified as the user's, and no one will be able to replicate it without access to it. That's why you need to keep it safe, and the best way is a client-side wallet without any third party controlling the user's private keys.

3.2 In-wallet swapping function

While being in the wallet application the user will be able to execute swaps from one cryptocurrency to another with minimal effort. The user will only need to choose what to swap and how much, no need to enter addresses, it is all automated in the background. The swap process takes less than 30 minutes and depends on what currency is being swapped.

3.3 Buying or selling Cryptocurrencies

Many users starting out in the cryptocurrency economy all seems to have the same issue, where do I get the first coins or tokens? BlackFort gives the users the possibility to buy directly in the application with their chosen bank card. Soon, SEPA bank transfer will enable both buying and selling directly from and to your bank account.

3.4 BlackFort Payment Solution

This is a standalone product feature for merchant clients. It can also for regular transactions where a user or business desires to accept cryptocurrencies for their everyday sales or settlements. B2B users can choose to accept cryptocurrencies for their services by either integrating the payment solution in their checkout process or by adding a widget. A mobile POS system will be developed in a handheld format much like a card machine in stores that is going to let users pay for anything in shops by scanning the generated QR which will contain address to send to and exact amount to be sent. Then it's just confirming the payment on the buyer's wallet and sending coins for services.

3.5 BlackFort Pay Scan

As a feature in the wallet linked to the BlackFort Payment Solution, it was decided to make it as easy as possible to pay using the wallet any merchant using the BlackFort Payment Solution. Always send the exact required amounts to settle with buyers and sellers without any over or underpayment anymore. The process is such that a merchant or user enters the desired amount in Fiat or coins to be received, a QR code is generated by the payment solution containing all the details (amount, address, and fees as well as order ID for reference) this will be scanned by the user and confirmed. We use deep linking between payments done with BlackFort wallet and BlackFort payment solution. The same result can be reproduced by using the button "pay with wallet" under the payment QR code of BlackFort pay. Using BlackFort wallet in this way is going to make payments easy for users, even if they are new to the cryptocurrency economy.

3.6 BlackFort referral and affiliate program

Referrals and affiliations between users are some of the most powerful tools of spreading a vision (4) especially if it's one that gives back to the community making everything possible. The marketing strategy implemented BlackFort has chosen is where the users gets commissions for sales of our products and vision as well as free airdrops when sponsoring other users. The company also decided to run marketing campaigns that involve PR Marketing and produce high quality content on social media and news outlets. The strategy behind the combination of these marketing channels is to achieve as much organic growth as possible. The management believes strongly that the key to success is a happy user. This can only be achieved by an easy way of navigation functions, the possibility to earn rewards and most importantly a company and team that is dedicated to a common vision. Referrals will be rewarded in Ethereum.

3.7 Supported Tokens and coins

BlackFort Wallet and Exchange as well as the BlackFort Payment Solution will initially be supporting the following cryptocurrencies;

BTC
ETH
XRP
LTC
DASH
BCH
USDT (ERC20)
ERC20 Tokens
BXN (coming soon)
BRC20 BRC721 etc (coming soon)

More tokens are going to be added over time provided they garner community support. BlackFort will generally only add coins or tokens that have strong credibility, user base, liquidity, positive community review and a strong management team. If you have a coin that you wish to be listed on the Wallet/Exchange or BlackFort Payment Solution, participating in the BXN node distribution is going to help make this happen.

4 Cross-platform services:

4.1 Web-based Payment Solution access and management

- 1.1. Users will be able to access to both their merchant and agent account (if applicable) via their preferred web browser. The users will be able to register their account and manage it from pay.blackfort.exchange.
- 1.2. As of now there is no mobile app version in development for the payment solution but will be one of the future upgrades and additions to our payment services.
2. Android native client (Mobile application)

An android app is developed to allow Android users to download and utilise the BlackFort wallet. The app will be available from the Google play store as well as an apk download on the blackfort.exchange website.

3. iOS native client (pending App Store review) (mobile application)

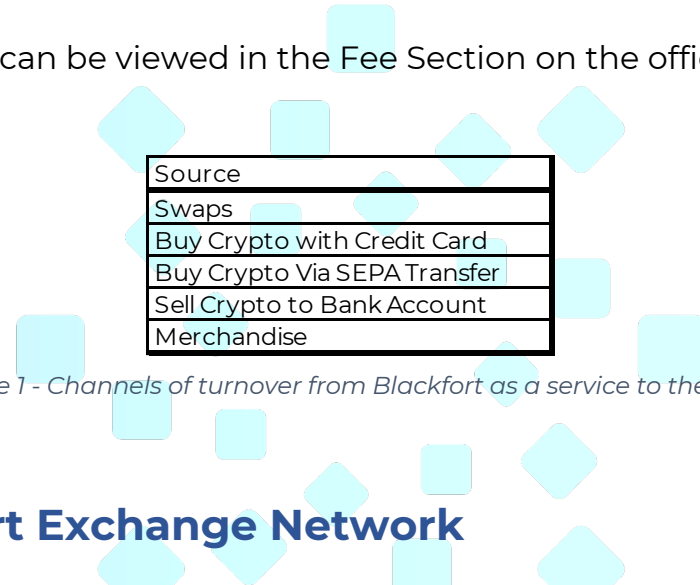
An IOS app is developed to allow IOS users to download and utilise the BlackFort wallet. The app will be available from the App store as well as a dmg download on the blackfort.exchange website.

4.2 Revenue Streams for BlackFort

1. Crypto to crypto swaps
2. Fiat to Cryptocurrency exchange (via Bank transfer)
3. Fiat to Cryptocurrency exchange (via Credit card)
4. Cryptocurrency to Fiat exchange (bank transfer)
5. eCommerce – Merchandise, Virtual and Physical Products
6. Business to business partnerships (Fixed listing of Partner’s Tokens into BFW Coin-list. Subject to a thorough Compliance check)
7. Payment solution services

4.3 BlackFort Revenues

Blackfort’s fees can be viewed in the Fee Section on the official website [here](#).



| |
|------------------------------|
| Source |
| Swaps |
| Buy Crypto with Credit Card |
| Buy Crypto Via SEPA Transfer |
| Sell Crypto to Bank Account |
| Merchandise |

Figure 1 - Channels of turnover from Blackfort as a service to the User

5 BlackFort Exchange Network

A Nodular Blockchain to Enable Smart Contracts and Mass TPS

NOTE: This document is under development. As such it may change without notice.

5.1 Reasoning for creation

As its mainnet community launch is approaching in June 2022, BlackFort Exchange Network plans and maintains focus on reliability and high transaction throughput at a minimal cost to its users. BlackFort Exchange Network’s primary focus, its native decentralised (“dApp”) BlackFort Exchange Network DEX, with tokenisation and high liquidity with consistent backing and array of assets as well as high transaction and speed of execution.

High throughput of transactions, speed of confirmations and low fees are some of the most requested features of any blockchain. Coupled with the ability to add own tokens onto such a native blockchain. Furthermore, an ability for the addition of smart contract governance that can be settled in a fast and cheap coin with high liquidity and reliability is necessary for any blockchain that strives to drive mainstream adoption and tokenisation of

real-world asset classes and physical objects. NFT creation and delegation is something that will be a first for BXN, each node is an NFT that is delegated or can act as a validator. This means that your artwork is at work generating new BXN coins while also being limited and a prized possession of its owner.

5.2 Principles

For the creation of the BXN blockchain some of the guiding principles are the creation of a flexible and extension network of ethereum and binance chains to create a symbiotic harmony. It aims to complement existing blockchains and not replace them entirely. Here are the principles of BXN:

1. Standalone, independent, and unique Blockchain: technically, BXN is a standalone blockchain, instead of a layer-2 solution even though it will run on your existing ETH address. Most BXN fundamental technical and business functions are self-contained so that it can serve its complementary purpose to other blockchains and interoperability and cross chain transfers that are to come.
2. Ethereum Compatibility: The first practical and widely used Smart Contract platform is Ethereum. To take advantage of the relatively mature applications and community, BXN chooses to be compatible with the existing Ethereum mainnet. This means most of the dApps, ecosystem components, and toolings will work with BXN and require zero or minimum changes; BXN nodes will require minimal and low investment hardware specification and skills to run and operate as barrier to entry should be as low as possible to ensure a wide-reaching decentralisation for the general health of the network avoiding a concentration into the hands of a few large network players. The implementation should leave room for BXN to be on par with further Ethereum upgrades that are themselves conducted in a decentralised and wide- and far-reaching development community.
3. Staking Involves Consensus and Governance: Staking-based consensus is more environmentally friendly and generates a higher degree of flexibility in terms of community governance. Expectedly, this consensus should enable better network performance and lower costs over proof-of-work blockchains, i.e., faster block creation times and higher transaction capacity than is traditionally possible on proof-of-work blockchains.

5.3 Consensus and Validating

Based on the principles, the consensus protocol of BXN is to adhere at core to the following:

1. Blocking time should be shorter or equivalent to Ethereum or comparable networks, which after our evaluation is set to be approximately five seconds and independent of the number of validators.

2. It requires limited time to confirm the finality of transactions, e.g. around 1-min level or shorter and less confirmation before being considered final by the receivers.
3. Block reward is pre-set for each individual reward, validation and delegation reward is collected from global transaction fees, and it is distributed in BXN therefore creating a fair environment for users and validators as well as delegators.
4. It is compatible with Ethereum's guiding principles as much as possible and will continue to do so.
5. It allows for proof-of-stake blockchain network governance (weighted authority) with a wide consensus mechanism.

5.4 Proof of Staked Authority (PoSA)

Although Proof-of-Work (PoW) has been recognised as an excellent and secure mechanism to implement a decentralized network, it has a very high barrier to entry and is not allowing for wide participation that will pay off to all participants. Ethereum and some other blockchain networks, such as MATIC Bor, TOMOChain, GoChain, xDAI, do use Proof-of-Authority (PoA) or its variants in different scenarios, including both testnet and mainnet. PoA provides some defense to 51% attack, with improved efficiency and tolerance to certain levels of Byzantine players (malicious or hacked). It serves as an easy choice to pick as the fundamentals for the network.

Meanwhile, the PoA protocol is most criticized for not being as decentralised as PoW, as the validators, i.e. the nodes that take turns to produce blocks, have all the authorities and are prone to corruption and security attacks. Other blockchains, such as EOS and Lisk both, introduce different types of Delegated Proof of Stake (DPoS) to allow the token holders to vote and elect the validator set. It increases the decentralisation and favors community governance.

BXN uses the proven process to combine DPoS and PoA for consensus into PoSA, so that:

1. Blocks are produced by a limited set of validators. To become a validators one needs to setup a hosted node and meet certain requirements that need to be accepted by other validators.
2. Validators take turns to produce blocks in a PoA manner, similar to Ethereum's Clique consensus design, however all Validators and their delegators receive a share of the fees through the ratio of BXN-Node type, that delegators hold with the validators.
3. Validator sets are elected in and out based on a delegation-based governance and delegators can move freely or create new validators through consensus and joining and no one validator can overrule all validators meaning the entire process will be transparent and widely agreed upon.

5.5 Validator Quorum

In the genesis stage, a few trusted nodes will run as the initial Validator Set, this is to ensure the beginning is smooth and handled carefully in case of any genesis abortion and fix required. After live observation phase finishes, anyone can compete to join as candidates, delegator, validator as well as elect as a validator. Once all available nodes are distributed as well as delegated, the total weight of 22% of total coin supply is going to be locked in validator nodes. BXN is the token used to stake on the BlackFort Exchange Network

In order to remain as compatible as Ethereum and upgradeable to future consensus protocols to be developed, BXN chooses to rely on SMART CONTRACTS for its management. There is a dedicated staking module for BXN. It will accept BXN staking from BXN node holders.

5.6 Security and Finality

Given more than 50%+1 of all validators are honest, PoSA based networks usually work securely and properly. However, there are still cases where a certain number of Byzantine validators may still manage to attack the network, e.g. through the “Clone Attack”. To secure as much as BXN users are encouraged to wait until receiving blocks sealed by more than 66%+1 different validators. In that way, the BXN can be trusted and can tolerate less than 33% Byzantine validators.

For example, taking 21 Masternode validators, if the block time is 5 seconds, the 66%+1 different validator seals will need a time period of $(66\% * 21 + 1) * 5 = 75$ seconds. Any critical applications for BXN may have to wait for 66%+1 to ensure a relatively secure finality. However, besides such arrangement, BXN introduces a slashing logic to penalise Byzantine validators for double signing or unavailability, which will be covered in the “Staking and Governance” section later. The slashing logic will expose the malicious validators in a very short time and make the “Clone Attack” very hard or extremely non-beneficial to execute. With this enhancement, 50%+1 or even fewer blocks are enough as confirmation for most transactions.

5.7 Reward

All the BXN validators in the current validator set will be rewarded with Block rewards and transaction fees in BXN. As BXN has a set total supply it is comparable to the production of Bitcoin and Ethereum network enabling a fairer distribution of reward, and the gas fee is the major reward for validators in the long term. As BXN is also a utility token with other use cases, delegators and validators will still enjoy other benefits of holding BXN.

The reward for validators are the fees collected from transactions and smart contract interactions in each block. Validators can decide how much to give back to the delegators who stake their BXN to them. Every validator will take turns to produce the blocks in the same probability (if they stick to 100% liveness), thus, in the long run, all the stable validators may get a similar size of the reward. Meanwhile, the stakes on each validator may be different, so this brings a counter-intuitive situation that more users trust and delegate to one validator, they potentially get less reward. So rational delegators will tend to delegate to the one with fewer stakes as long as the validator is still trustful (insecure validator may bring risk of being slashed).

Some parts of the gas fee will also be rewarded to relayers for Cross-Chain communication in case there will be cross chain implementations in the future.

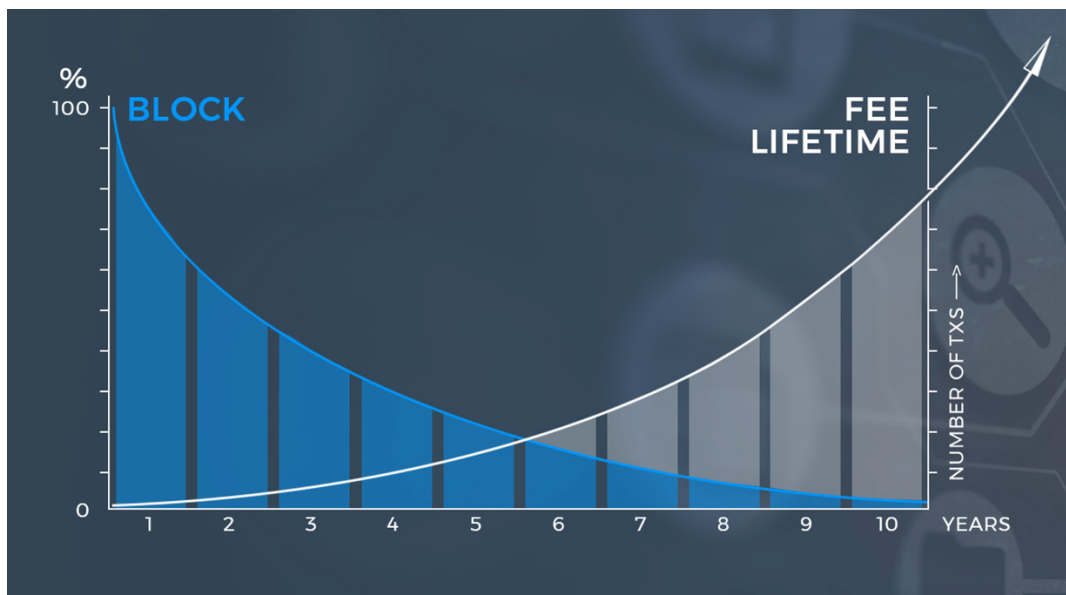


Figure 2 - Visualisation of reward types. Block reward reducing over time and Rewards from transaction and interaction fees growth over time. (ILLUSTRATION FOR UNDERSTANDING ONLY)

5.8 Node

5.8.1 Weight

There is a total set number of Nodes to be distributed to users. The total number of this is 304.000. Each node is a non-fungible collection of native tokens (nNFT) with a certain representation in weight, described as Coin-lock. One node is one entity and cannot be broken down into individual coins. Each node comes as a package to be delegated to add to the proof the weight of the holder's authority in the validation mechanism.

| Nodes Names | Node quantity | Token lock |
|---------------------|---------------|---------------|
| <u>Chillon 2.5M</u> | 500 | BXN 2,500,000 |
| <u>Landskron 1M</u> | 1,000 | BXN 1,000,000 |

| | | |
|---------------|----------------|---------------------------|
| Malbork 500K | 2,500 | BXN 500,000 |
| Kronborg 250K | 10,000 | BXN 250,000 |
| Trogir 100K | 15,000 | BXN 100,000 |
| Trakai 50K | 25,000 | BXN 50,000 |
| Vianden 10K | 100,000 | BXN 10,000 |
| Hever 5K | 150,000 | BXN 5,000 |
| | 304,000 | BXN 10,500,000,000 |

5.8.2 Sale Price increase

| | |
|--|-------|
| Current IVO sale price (TBA) | 0.01€ |
| Target IVO sale price at exchange Launch (TBA) | 0.02€ |

TOTAL METRICS WILL BE RELEASED AT MAINNET LAUNCH

5.8.3 Sale-Turnover dedication

Here we present our strategy as to how we spend turnover from the same of nodes.

| Turnover Dedication | 100% |
|--------------------------------|-------------|
| Liquidity Dex/Cex | 25% |
| Marketing | 50% |
| Company Capitalisation | 21% |
| Charity | 1% |
| Tokenizing and blockchain fees | 1% |
| Team | 2% |

5.8.4 Production

Each node has a fixed amount of BXN Coins that are released as block rewards to the holders' BXN Address. Once activated, every node is going to claim its block rewards starting the block after successful activation and delegator rewards (Aliquoted transaction fee earnings). Block rewards are set out to be distributed automatically by the algorithm for ten years with a halving time of one year (Number of blocks 6307200). This is calculated from 5 second block times, to be halving the result yearly until the tenth year. After the tenth year is over, block rewards for that node are going to stop. Aliquoted transaction fee collections are enabled for lifetime of the blockchain and start upon node delegation.

| Nodes Names | BXN Production/block | Year 1 | Year 2 | Year 3 | Year 4 |
|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------|
| Chillon 2.5M | BXN 0.6247755 | BXN 3,748,653 | BXN 1,874,327 | BXN 937,163 | BXN 468,582 |
| Landskron 1M | BXN 0.2450100 | BXN 1,470,060 | BXN 735,030 | BXN 367,515 | BXN 183,758 |
| Malbork 500K | BXN 0.1201029 | BXN 720,618 | BXN 360,309 | BXN 180,154 | BXN 90,077 |
| Kronborg 250K | BXN 0.0588740 | BXN 353,244 | BXN 176,622 | BXN 88,311 | BXN 44,155 |
| Trogir 100K | BXN 0.0230878 | BXN 138,527 | BXN 69,264 | BXN 34,632 | BXN 17,316 |
| Trakai 50K | BXN 0.0113176 | BXN 67,905 | BXN 33,953 | BXN 16,976 | BXN 8,488 |
| Vianden 10K | BXN 0.0022191 | BXN 13,315 | BXN 6,657 | BXN 3,329 | BXN 1,664 |
| Hever 5K | BXN 0.0010878 | BXN 6,527 | BXN 3,263 | BXN 1,632 | BXN 816 |
| Total Per year | | BXN 6,518,849 | BXN 3,259,424 | BXN 1,629,712 | BXN 814,856 |

| Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| BXN 234,291 | BXN 117,145 | BXN 58,573 | BXN 29,286 | BXN 14,643 | BXN 7,322 |
| BXN 91,879 | BXN 45,939 | BXN 22,970 | BXN 11,485 | BXN 5,742 | BXN 2,871 |
| BXN 45,039 | BXN 22,519 | BXN 11,260 | BXN 5,630 | BXN 2,815 | BXN 1,407 |
| BXN 22,078 | BXN 11,039 | BXN 5,519 | BXN 2,760 | BXN 1,380 | BXN 690 |
| BXN 8,658 | BXN 4,329 | BXN 2,164 | BXN 1,082 | BXN 541 | BXN 271 |
| BXN 4,244 | BXN 2,122 | BXN 1,061 | BXN 531 | BXN 265 | BXN 133 |
| BXN 832 | BXN 416 | BXN 208 | BXN 104 | BXN 52 | BXN 26 |
| BXN 408 | BXN 204 | BXN 102 | BXN 51 | BXN 25 | BXN 13 |
| BXN 407,428 | BXN 203,714 | BXN 101,857 | BXN 50,929 | BXN 25,464 | BXN 12,732 |

*All values are approximate. Rewards are generated at every block which is ~5sec/Block.

5.9 Blocks

One block represents a set of entries into the blockchain, to be verified and validated. Once this batch of transaction and interaction recordings as well as the release or production of block reward has been processed using the transaction fees, paid by the blockchain user. Distribution automatically happens and the next block starts to form.

How to approximate the yearly halving-period:

At the set time for blocks to be created and validated, it takes 6307200 blocks to be approximately equivalent to one year in Real time. Block reward halving happens at every 6307200th block. Example: The fifth year starts at block number 31536000. This can be calculated by the following: $6307200 * 5 = 31536000$

TOTAL METRICS WILL BE RELEASED AT MAINNET LAUNCH

5.10 Token Economy

TOTAL METRICS WILL BE RELEASED AT MAINNET LAUNCH

5.10.1 Pre-sale Block reward

During pre-sale as well as pre-launch, we follow the idea of implementing a higher block reward for every user that activates a node of any size before mainnet launch, there is an increased amount of block reward that is added as an incentive. This pre-launch block reward added benefit will only be calculated until mainnet is launched. This number of overproduced coins are included after the genesis block. Pre-Launch production of BXN will be distributed through Assets section in BXN Dashboard. This is to ensure, that every user generates a BXN Blockchain Address. After Address generation, Node, BXN Coins and BxAssets can be claimed to the users address.

5.10.2 Native Token

BXN will run on BXN in the same way as ETH runs on Ethereum so that it remains as “native token”. This means, in addition to BXN being used to pay most of the fees on BXN Blockchain and BlackFort DEX, BXN will be also used to:

1. pay “fees” to deploy and interact with smart contracts on BXN
2. perform cross-chain operations, such as transfer token assets across multi BXN Chains.

5.11 Other Tokens

BXN supports BXN tokens and upcoming BXP20, BXP721 etc. tokens, which are native assets transferrable and tradable (if listed) via fast transactions and sub-second finality. Meanwhile, as BXN is Ethereum compatible, it is natural to support ERC20 tokens on BXN in the upcoming future.

5.12 Tokenising assets

It is our goal to become a platform that enables people and entities to use our technology, Blockchain as well as smart contracts to digitize assets and use BXN technology to create, hold, transfer, and exchange tokenized assets.

5.12.1 Bridging foreign cryptocurrencies

Exact strategy and information to be released.

5.12.2 Tokenising of offline or Fiat-based, Real estate or monetary assets

Exact strategy and information to be released.

5.13 Staking and Governance

Proof of Staked Authority brings in decentralization and community involvement. Its core logic can be summarized as the below. You may see similar ideas from other networks, especially Cosmos and EOS.

1. Token holders, including the validators, can put their tokens “bonded” into the stake. Token holders can delegate their nodes onto any validator or validator candidate, to expect it can become an actual validator, and later they can choose a different validator or candidate to re-delegate their nodes.
2. All validator candidates will be ranked by the number of bonded tokens on them, and the top ones will become the real validators.
3. Validators can share (part of) their blocking reward with their delegators.
4. Validators can suffer from “Slashing”, a punishment for their bad behaviors, such as double sign and/or instability.
5. There is an “unbonding period” for validators and delegators so that the system makes sure the tokens remain bonded when bad behaviours are caught, the responsible will get slashed during this period.

5.14 Rewarding

Both the validator update and reward distribution happen at every block. (Please note BXN blocking fees will remain rewarding to BXN validators only.):

1. The block reward is directly claimed from BXN Coinbase
2. The node holder can claim the reward at every block.
3. Validator rewards are global transaction fee rewards, sent to Coinbase and Coinbase distributes reward aliquoted to all node delegators.

5.15 Slashing

Slashing is part of the on-chain governance, to ensure the malicious or negative behaviours are punished. BXN slash can be submitted by anyone. The transaction submission requires slash evidence and cost fees but also brings a larger reward when it is successful.

5.16 Double Sign

Exact strategy and information to be released.

5.17 Unavailability

The liveness of BXN relies on everyone in the Proof of Staked Authority validator set to produce blocks timely when it is their turn. Validators can miss their turn due to any reason, especially problems in their hardware, software, configuration or network. This instability of the operation will hurt the performance and introduce more indeterministic into the system.

There can be an internal smart contract responsible for recording the missed blocking metrics of each validator. Once the metrics are above the predefined threshold, the blocking reward for validator will not be relayed to BXN for distribution but shared with other better validators. In such a way, the poorly operating validator should be gradually voted out of the validator set as their delegators will receive less or none reward. If the metrics remain above another higher level of threshold, the validator will be dropped from the rotation, and this will be propagated back to BXN, then a predefined amount of BXN would be slashed from the self-delegated BXN of the validator. Both validators and delegators will not receive their staking rewards.

5.18 Governance Parameters

WILL BE RELEASED AFTER MAINNET LAUNCH

5.19 Outlook

It is hard to conclude for BlackFort Exchange Network, as it will never stop evolving. Below are some of the topics to look into so as to facilitate discussion and improvement for the community in terms of better usability and extensibility:

1. Add different digital asset model for different business use cases
2. Enable more data feed, especially DEX market data, to be communicated from BlackFort Exchange DEX to BXN
3. Provide interface and compatibility to integrate with Ethereum, including its further upgrade, and other blockchains include future tokenisation and assetisation of physical assets
4. Improve client-side experience to manage wallets and use blockchain more conveniently

[1]: BXN business practitioners may provide other benefits for BXN delegators to attract more stakers and delegators alike.

6 Use of Funds

Stage goals will be communicated in further emails as we are currently at the beginning with operations and initial wallet having been setup.

Stage 1 – Global OPS Setup

When Stage 1 is reached then the company is going to use the raised funds to create its global structure in preparation for the ventures and projects in the later cap milestones and also gives the company a full international business structure allowing the BlackFort brand to have operating rights and bases in all applicable countries that are required in fulfilling the company's goals and vision.

Stage 2 – Node and Blockchain launch

When Stage 2 is reached, the company is going to upgrade the BXN Token Economy to a full nodular PoSA blockchain explained in section 5.

Stage 3 – Further Wallet Upgrades

When stage 3 is reached further improvements shall be added to the wallet this is going to potentially include but is not limited to, addition of more blockchains and their coins upon user feedback and requests, further integration with the BlackFort payment solution, addition of further third-party services and creating some of the services offered in house. BlackFort will also start setting up the upcoming fiat section of the application in the background.

Stage 4 – BlackFort Payment Solution Upgrades

When stage 4 is reached, further improvements to the payment solutions, this may include but not limited to, improvements to the dashboard, integrating further options in transactions handling, automated transaction monitoring and processing and the addition of multilanguage support. Another upgrade will be the fiat support implementation in preparation for stage 5.

Stage 5 – Electronic Money Institute License

When stage 5 is reached BlackFort is going to apply for and/or acquire an EMI license with passporting rights across EU/EEA. This will enable the wallet to operate as a e-money institute and has the intention to integrate crypto and banking under one roof, wallet and payment solution services will be supplemented by traditional banking services and debit cards for easier spending by the company's business and private clients.

Stage 6 – Digital Identity

When stage 6 is reached a digital identity platform shall be created, allowing BlackFort's users to clear compliance and KYC procedures faster through data sharing between partner users. This is going to enable a time saving process where data is shared and no longer shall the user need to constantly

upload KYC and compliance documents with every new partner account but instead be able to use your digital identity to verify themselves and their details across all our partner services. This service shall be compliant with the strictest privacy and data protection regulations as per EEA regulations.

Stage 7 – Exchange & OTC

When stage 7 is reached the development of a full BlackFort exchange where trading in BXN is done as well as having the wallet application as the official wallet of the exchange. The orderbook for BXN will be created and publicly available. The use of token on the exchange is going to be a reduction of fees or payment of fees for trading. BXN will be available for Bid and Ask orders which means they are openly traded on the BlackFort exchange.

6.1.1 Use of funds exceeding Roadmap caps – Upgrading all Services

When the seven stages have been reached all the remaining sales shall be allocated toward speeding up of developments and hiring a bigger team of experts in each of the required fields and permanent salaried staffing to fulfil all the requirements for each project. The company share from the smart contract will also start reducing the amount that the company reserves from the funds (to finance roadmap) this means more will be going back to the community. This is going to occur at the company's discretion.

At this point the entire BlackFort brand is complete and a full end to end solution offered to the company's clients. This means that users are no longer having to go anywhere else to use a complete crypto, fiat and trading solution on the market.

Updates on stage progresses on the delivery of project goals will be communicated as milestones are reached for each stage. Updates will be delivered via the newsletter, [medium](#) posts and also telegram news channel, to join it please click [here](#).

7 Corporate Social Responsibility

7.1 Donations

BlackFort is committed to supporting worthy causes and some of the raised funds are to be distributed to charities and community programs. The company will sometimes choose the recipient, at times this honour may go to the sales team and at times the company may choose to have the community vote in a poll of carefully selected causes through the official telegram channel that can be found [here](#). Regardless of the choice, the

funds donated, and the cause donated to are going to be made public via the official medium account [here](#).

7.2 Community involvement:

This can include raising money for local charities, providing volunteers, sponsoring local events, employing local workers, supporting local economic growth, engaging in fair trade practices, etc. If there is a donation for a special cause or as chosen by the BlackFort community, the company may send any representative or community member to present the donation or pro-bono volunteering provided the selected member agrees to it, the representative and amount of service donated will always be disclosed via our medium account for transparency.

7.3 Ethical marketing:

BlackFort is committed to only do ethical marketing, this to the company means it is not going to engage in discrediting anyone, whether organisation or individual. All marketing is transparent and backed by official statements and visions. A further principle is to not spread false rumours nor advertising regarding the company or any other party. Affiliate salespeople are also subject to our terms of service and are not allowed to offer our product in any irresponsible manner. The founders and management of the company highly value and place great importance on responsible marketing and sales strategies.

The Corporate Structure

BlackFort Wallet & Exchange is the trading name of the company incorporated in the Republic of Estonia under the name BlackFort Tech Estonia OU and comprises of the following sister company:

- BlackFort Inc (BVI) – Is part of global OP setup. It operates the creation and concepting of the BXN token economy as well as the rights to it. It also serves the purpose of a possible expansion to other jurisdictions.

8 Disclaimer & Risk Statement

8.1 Disclaimer:

This whitepaper has been issued and compiled by BlackFort Inc (BVI) (BlackFort) on 30th of May 2022 and should be read in conjunction with BlackFort's [terms and conditions](#) (the "Terms").

This whitepaper does not constitute a prospectus for the purposes of [Directive 2003/71/EEC (the "Prospectus Directive"), and the amending

directive 2010/73/EU] [Regulation (EU) 2017/1129 (the “Prospectus Regulation”)] or offer document of any sort and is not intended to constitute an offer of securities or a solicitation for investments in securities in any jurisdiction mentioned or not in this whitepaper.

The purpose of this whitepaper is to provide prospective purchasers with the information on BlackFort’s project and vision to permit the prospective purchasers to make their own decision as to whether or not they wish to proceed to purchase BlackFort Tokens (“BXN”). This whitepaper does not constitute an offer or invitation, or any other sale or purchase of shares, securities, or any of the assets.

Any possession of BXN shall not grant any rights in any form to the user, including but not limited to any rights of ownership, interest, profit, redemption, property or intellectual property, decision making, or any other such rights, such as any rights of financial or legal nature, in BlackFort or its affiliates. The only right afforded is the right to hold the hold the BXN tokens purchased or acquired.

BlackFort Inc (BVI) has taken reasonable care to ensure that, as at the date of this whitepaper, the information contained herein is accurate to the best its knowledge and there are no other facts, the omission of which, would make misleading any statement in this whitepaper. No representation, warranty, assurance or undertaking is made as to its continued accuracy after such date and all future amendments will be deemed correct at time of publication.

The information contained in this whitepaper may be subject to modification, supplementation and amendment at any time and from time to time.

This whitepaper describes BlackFort Tech Estonia’s business objectives and the issuing of the BXN Token as well as the Token economy by BlackFort Inc (BVI). It has not been reviewed, verified, approved or authorised by any regulatory or supervisory authority. The following content provided is for informational purposes related to our approach of providing a solution based on blockchain technology. The information may not be comprehensive and does not imply any elements of a contractual relationship. This document does not constitute the provision of investment or professional advisory services. BlackFort does not guarantee, and accept legal liability whatsoever arising from or connected to, the accuracy, reliability, or completeness of any material contained in this document. It is the responsibility of prospective purchasers of BXN to undertake their own due diligence. Prospective purchasers of BXN are wholly responsible for ensuring that all aspects of this whitepaper and the Terms are acceptable to them. The purchase of BXN may involve special risks that could lead to a loss of all or a substantial portion of the purchase amount. BlackFort Inc (BVI) does not represent, warrant, undertake or

assure that the BXN are defect, virus free or will meet any specific requirements of a prospective purchaser. You should only purchase BXN if you can afford a complete loss. Unless you fully understand and accept the nature of the BXN and the potential risks inherent in the purchase of BXN you should not purchase BXN.

The publication of this whitepaper and the offering of BXN may be restricted in certain jurisdictions. It is the responsibility of any person in possession of this whitepaper and any persons wishing to make an application for BXN (pursuant to the Terms) to inform themselves of, and to observe, any and all laws and regulations that may be applicable to them. Accordingly, BXN are not being offered or distributed to, neither can they be resold or otherwise transferred by their holders to the citizens of, whether they are private or legal persons, and people who own a permanent residence or their seat of incorporation in the United States of America and its territories, the People's Republic of China, the Republic of Korea, Singapore, and in any countries, territories, or jurisdictions where transactions with digital tokens are prohibited or to some extent restricted by the law.

This whitepaper does not form any legal relationship between BlackFort and participants of the node sale. The purchase of BXN is only possible after accepting the terms subject to purchaser having completed BlackFort Inc (BVI) customer due diligence process in accordance with BVI Law.

BXN are meant for use strictly within the BlackFort platform and shall not have any value or use outside of it. BlackFort Inc (BVI) and BlackFort Tech Estonia do not and shall not provide any guarantees, projections, estimates, or ensure any profit, income, or gains from BlackFort Tech Estonia's products or services. Participants in the token sale shall carefully assess all available information and possible risks before participating in the token sale or making use of BlackFort products or services.

BlackFort Inc (BVI) reserves the right to make amendments and changes to this whitepaper at any time and without notification. In such case, only the latest version of this Whitepaper published on <https://blackfort.exchange> shall be considered valid, whilst all older versions of this whitepaper shall be considered invalid. BlackFort Inc (BVI) is not required to give notice of this.

BlackFort Inc (BVI) shall not be held responsible or liable for any losses, damages, or harm arising from participation in this token sale. BXN shall not be used for any kind of speculative, investment, or financial purposes.

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section, this whitepaper and all information presented herein shall be considered invalid.

BlackFort (BVI) makes no warranty whatsoever (express or implied) with respect to any BXN proposed to be issued by the group, including any:

(i) warranty that the BXN will be issued, (ii) warranty of merchantability; (iii) warranty of fitness for a particular purpose; (iv) warranty of title; or (v) warranty against infringement of intellectual property rights of a third party, whether arising by operation of law, course of dealing, course of performance, usage of trade, or otherwise except as expressly set forth in writing between the company and any purchaser of BXN. It is a condition of you receiving and retaining this whitepaper that you warrant to the group, its managers, and its officers that you have not relied upon any warranty made by the group, or any other person on the group's behalf. By purchasing BXN you do so at your own risk.

To the maximum extent permitted by the applicable laws, regulations, and rules, BlackFort and its affiliates and their respective officers, employees, or agents will, in relation to the website and BlackFort tokens, not be liable for any damages of any kind, including but not limited to, direct, consequential, incidental, special or indirect damages (including but not limited to lost profits, loss of revenue or third party loss whether foreseeable or otherwise, trading losses or damages that result from use or loss of use of the website and BlackFort Tokens.)

For the avoidance of doubt, BlackFort Inc (BVI) expressly disclaims any and all responsibility for any direct or consequential loss or damage of any kind whatsoever arising directly or indirectly from: (i) reliance on any information contained in this document; (ii) any error, omission, or inaccuracy in any such information; (iii) any action resulting therefrom; or (iv) usage or acquisition of products, available through the website.

Participants of the token sale acknowledge and agree that they are not purchasing BXN for purposes of investment, speculation, or other financial purposes.

Some of the statements in the whitepaper include forward-looking statements which reflect BlackFort Tech Estonia's current views with respect to execution roadmap, financial performance, business strategy and future plans, both with respect to BlackFort Tech Estonia and the sectors and industries in which BlackFort Tech Estonia operates in. Statements which include the words "expects", "plans", "believes", "projects", "anticipates", "will", "aims", "may", "would", "could", "continue", and similar statements are of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause BlackFort Tech Estonia's actual results to differ materially from those

indicated in the statements. These factors include but are not limited to those described in the part of the Terms entitled “Risks”, which should be read in conjunction with this Risk Statement and other cautionary statements in the Terms and Conditions.

Any forward-looking statements in this whitepaper reflect BlackFort Inc (BVI) & BlackFort Tech Estonia current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to BlackFort Inc (BVI) & BlackFort Tech Estonia operations, results of operations and growth strategy. These forward-looking statements speak only as of the date of this whitepaper. Prospective participants in the token sale should specifically consider the factors identified in the Terms could cause actual results to differ before making a purchase decision. No statement in this Whitepaper is intended as a profit forecast and no statement in this whitepaper should be interpreted to mean that BlackFort Inc (BVI) & BlackFort Tech Estonia earnings for the current or future years would be as may be implied in this whitepaper.

8.2 Risk Statement:

Purchaser, legal and regulatory, market and operational risks are set out in the in the disclaimer. You should review these risks before purchasing BXN as well as seek independent financial and tax advice.

9 References

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