

Project Research Dossier

Kerne Protocol - Pre-TGE diligence using primary sources only

Scope. This dossier evaluates Kerne as a pre-TGE project. Kerne states that KERNE is not publicly circulating, no TGE has been scheduled, and its public-sale/TGE allocation remains a planned policy rather than an active sale. The analysis therefore treats all future token schedules as intentions until they are implemented on-chain.

1. What Kerne is building

Kerne is a synthetic-dollar protocol on Base. USDC can be converted 1:1 into kUSD through a Peg Stability Module, while users can stake kUSD into skUSD. The intended yield architecture combines Ethereum staking yield with a short ETH perpetual position designed to neutralize directional ETH exposure. Kerne emphasizes verifiability through public contract addresses, signed proof-of-reserves data, risk endpoints and source verification.

Why it matters: the project is attempting to package a delta-neutral carry strategy into a self-custodial, on-chain dollar product. The useful diligence distinction is between what is already live and what is still modeled: the mint/redeem and staking surfaces are live, but the protocol itself warns that modeled yield should not be confused with realized distribution.

2. Tokenomics and current supply state

Allocation	Share	Planned schedule / current status
Team	20%	4-year linear, 1-year cliff; not deployed
Investors	15%	2-year linear, 6-month cliff; not deployed
Ecosystem + liquidity mining	25%	esKERNE 365-day vest + grants; allocation unfunded
Treasury	15%	DAO-governed unlock planned; DAO not live
Community + Opal	5%	50% at TGE, 50% over 6 months; no claim contract
Protocol-owned liquidity	5%	Intended TGE lock; nothing locked today
Public sale / TGE	5%	Planned liquid at TGE; no TGE scheduled
Catalyst + liquidity reserve	10%	Safe-controlled today

Total supply is fixed at 1,000,000,000 KERNE with no minter. Crucially, 100% is currently held as one undivided balance by the 2-of-3 governance Safe. Kerne explicitly says the allocation table is a policy commitment, not an on-chain segregation. No vesting contract has been deployed for these allocations. Therefore, a conventional "circulating supply vs FDV" calculation is not yet meaningful: circulating KERNE is effectively zero pre-TGE, and there is no public token price from which to derive a market FDV.

3. Unlock and dilution risk

The main dilution risk is implementation risk rather than a currently running unlock calendar. If the published plan is implemented, the immediately liquid buckets would include the 5% public-sale/TGE allocation and half of the 5% community allocation. Other buckets introduce later pressure through cliffs or linear emissions. Team tokens are planned behind a one-year cliff; investor tokens behind a six-month cliff; ecosystem emissions use a 365-day esKERNE design. However, none of those protections currently constrain the Safe-held supply on-chain.

Diligence implication: the strongest tokenomics risk is that readers may mistake a published schedule for an enforced schedule. Before TGE, the decisive verification event is deployment and funding of vesting/claim contracts, plus segregation of allocations from the governance Safe.

4. Team and verification signals

Kerne describes itself as a small founding team rather than leaning on resume-based claims. The stronger verification signals are technical: deployed Base contracts, a public contract registry, reproducible verification tooling, a public bug bounty, and an external Hexens audit. Hexens reviewed five contracts at a pinned commit. Kerne reports ten findings (0 critical, 2 high, 2 medium, 4 low, 2 informational), with eight fixed and two acknowledged.

There is an important limitation: Kerne discloses that the deployed KerneVault runs earlier bytecode than the commit reviewed by Hexens. This means the existence of an audit should not be treated as proof that every live component equals the audited build. The live mint PSM has a stronger verification story: Kerne states that Sourcify reports an exact source match and that the PSM received zero findings in the Hexens review.

5. Key risks

Smart-contract risk. An external audit reduces but does not eliminate risk, and the deployed-vs-audited build difference matters. Strategy and venue risk. Delta-neutral does not mean risk-free; sustained negative funding, hedge-venue failure, oracle failure and operational failure can impair the strategy. Reserve risk. kUSD depends on USDC reserves, so USDC depeg or restriction risk remains. Governance/custody risk. the governance Safe holds the entire KERNE supply today, while the planned allocation vesting is not yet enforced. Execution risk. the protocol is early and its modeled yield has exceeded realized distribution; scaling TVL and hedging without weakening risk controls remains unproven. Legal/counterparty risk. Kerne states that no company has been incorporated and that engagements are with founders personally; users or institutions requiring an incorporated counterparty should treat that as material.

6. Diligence conclusion

Kerne is unusually explicit about the gap between policy and enforcement, which makes it a useful pre-TGE diligence case. Its strongest evidence is the checkable live product surface, public source registry and published audit record. Its largest unresolved token risk is that the full KERNE supply remains in one governance Safe while the advertised vesting and allocation controls are not yet deployed. The long-game thesis therefore depends less on the percentages in the tokenomics table and more on whether those percentages become enforceable before distribution.

Disclosure

No position in KERNE. This research was prepared for an educational due-diligence quest. No compensation or token allocation was received from Kerne Protocol for this dossier. This is not financial, legal or investment advice.

Primary sources

1. Kerne Protocol Whitepaper v3.0 - <https://kerne.fi/whitepaper>
2. Kerne Protocol GitHub - <https://github.com/kerne-protocol>
3. Kerne Audits - <https://kerne.fi/security/audits>
4. Kerne Bug Bounty / Security - <https://kerne.fi/security>
5. Kerne Terms - <https://kerne.fi/terms>
6. Kerne Institutional / counterparty disclosure - <https://kerne.fi/institutional>

Research date: 28 September 2026. Tokenomics and protocol state can change; re-check the primary sources before relying on this dossier.