

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

TAO

Bittensor (TAO)

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Disclaimer

Payward Canada Inc. (Kraken) is registered under Canadian securities laws as a restricted dealer and is offering Crypto Contracts on crypto assets in reliance on a prospectus exemption contained in the exemptive relief decision [Re Payward Canada Inc.](#) dated 04/01/2025 (the Decision). The statutory rights in section 130.1 of the Securities Act (Ontario), and, if applicable, similar statutory rights under the securities legislation of each other province and territory in Canada, do not apply in respect of the Crypto Asset Statement to the extent a Crypto Contract is distributed under the prospectus relief in the Decision.

No securities regulatory authority has expressed an opinion about the Crypto Contracts or any Crypto Assets (as defined in the Risk Statement) made available on the Kraken platform, including an opinion that TAO is not itself a security and/or derivative. Changes to applicable law may adversely affect the use, transfer, exchange, or value of any of your crypto assets, and such changes may be sudden and without notice.

Please note that this Crypto Asset Statement may not be exhaustive of all risks associated with trading TAO. Please review the [Risk Statement](#) and [Fee Schedule](#) for additional discussion of general risks and transaction fees associated with the Crypto Contracts and Crypto Assets made available through the Canadian Platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this Crypto Asset Statement is based on publicly available information provided by third parties.

What is TAO and how does it work?

Bittensor is an open-source, permissionless protocol that incentivizes a global network of “neurons” (miners and validators) to share machine-learning models and other digital commodities. Each neuron stakes the native token, TAO, to participate and earn emissions, creating a marketplace where high-quality inference and training are rewarded and low-quality contributions are penalized.

The protocol organizes activity into subnets, independent peer-to-peer networks focused on specific AI tasks. Validators query miners within their subnet, score the returned responses, and record reputation weights on-chain. Emissions and staking rewards are then algorithmically distributed in proportion to these on-chain weights, aligning incentives toward useful work.

On February 13 2025 Bittensor activated the Dynamic TAO upgrade, replacing its fixed validator committee with an open, market-driven governance system in which subnet tokens dynamically price block-space and steer resource allocation. This change is intended to improve decentralization and

scalability ahead of the first halving event scheduled for December 12 2025.

TAO is also stakeable: holders may bond tokens directly on-chain or delegate to third-party operators. For more information on Bittensor staking and fees, please visit our [crypto staking](#) and [overview of on-chain staking](#) pages.

Who is behind the Project?

A pseudonymous figure named "Yuma Rao" is referenced in Bittensor's white paper, akin to Bitcoin's Satoshi Nakamoto. The existence of Yuma Rao remains uncertain, and it's possible that we may never uncover more details about this individual. In contrast, the faces behind the Bittensor Foundation are known to the public, with notable figures such as Jacob Robert Steeves (Co-Founder of Bittensor Foundation) and Ala Shaabana (Co-Founder of Bittensor Foundation) being actively involved and visible.

Tokenomics of TAO:

In January 2021, the first Bittensor protocol miners and validators were turned on and the tokens were distributed through a "fair launch" mechanism, that is, no pre-mined tokens or ICOs, ensuring each TAO reflected real machine learning work.

The total supply of Bittensor (TAO) is 21 million tokens, which is the same as the total supply of Bitcoin. This fixed total supply is designed to limit inflation and maintain scarcity.

The distribution of TAO tokens is gradually released over time through mining and staking rewards. The tokens are used for governance, staking, and as a means of payment for accessing AI services and applications built on the Bittensor TAO network.

By the time the full 21 million-TAO cap is reached, the aggregate distribution of all tokens will be:

Recipient Group	Percent of Max Supply	TAO After 21 M Mined
Miners	50 %	10,500,000
Delegators / Nominators (stake to validators)	41%	8,610,000
Validators (their own take)	9%	1,890,000
Pre-mine / team / VC	0%	0
Total	100%	21,000,000

Validators automatically pass 82% of their rewards to delegators, so the long-run split is 50% miners / 41% delegators / 9% validators.

As of August 2025, the circulating supply is approximately 9,600,000 million TAO.

General Risks

Like all other digital assets, there are some general risks to investing in TAO. These include short history risk, volatility and liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see [Kraken's Risk Statement](#).

Risks specific to TAO

Competition

Bittensor faces competition from other decentralized LLMs like enqAI as well as centralized LLMs like OpenAI and Google Gemini. TAO's value derives from its broader adoption in the market. If Bittensor fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of TAO.

Regulatory Scrutiny

A regulatory crackdown on cryptocurrency could regulate crypto assets or AI development in a way that curtails the growth of the industry. This could have a negative impact on the value of TAO.

Staking Risk

Staking TAO does not divorce the holder from the same market and technical risks of merely holding TAO. The yield earned through staking is denominated and earned in TAO. Over time, the total balance of TAO will increase for stakers but this does not guarantee its market value also increases in tandem. Lackluster market adoption and unforeseen technical problems can negatively impact a holder's return on staked ETH. For more information on staking risks associated with smart contracts and digital assets, see [Kraken's Risk Statement](#).

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on Bittensor (TAO) and determined that Bittensor (TAO) is unlikely to be a security or derivative under Canadian securities legislation. Our analysis generally includes, but is not limited to, reviewing publicly available information on the following:

- The creation, governance, usage and design of Bittensor (TAO), including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created Bittensor (TAO);
- The supply, demand, maturity, utility and liquidity of Bittensor (TAO);
- Material technical risks associated with Bittensor (TAO), including any code defects, security breaches and other threats concerning Bittensor (TAO) and its supporting blockchain (such as

the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and

- Legal and regulatory risks associated with Bittensor (TAO), including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of Bittensor (TAO), and (ii) consideration of statements made by any regulators or securities regulatory authorities in Canada, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to Bittensor (TAO) about whether Bittensor (TAO), or generally about whether the type of crypto asset, is a security and/or derivative.

In addition to performing due diligence on Bittensor (TAO) and prior to making Bittensor (TAO) available to clients for staking on the Kraken platform, Kraken performed a review of the following:

- the operation of the Proof of Stake blockchain for Bittensor (TAO);
- the staking protocols for Bittensor (TAO);
- the risk of loss of staked Bittensor (TAO), including from software bugs and hacks of the protocol;
- due diligence with respect to the staking infrastructure operated by Kraken's affiliate, Staked Cayman Ltd., including but not limited to, information about:
 - the persons or entities that manage and direct the operations of the affiliate,
 - the affiliate's reputation and use by others,
 - the approximate amount of crypto assets the affiliate has staked on its own nodes,
 - the measures in place by the affiliate to operate the nodes securely and reliably,
 - the quality of the affiliate's work (i.e., the amount of downtime of the staking infrastructure, any past history of "double signing" and "double attestation/voting", etc.),
 - any losses of Crypto Assets related to the affiliate's actions or inactions, including losses resulting from slashing, jailing or other penalties incurred by the affiliate,
 - any guarantees offered by the affiliate against slashing or other penalties and any insurance obtained by the affiliate that may cover this risk, and
 - the financial status of the affiliate.