

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

Songbird (SGB)

Last updated on September 25, 2026

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 SGB 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 SGB. 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 Songbird and how does it work?

Songbird is the “canary” network for Flare. It acts as a live blockchain where new features can be tested safely before they move to the Flare main network. Like Flare, it is compatible with Ethereum smart contracts, but it runs independently. Developers use Songbird to try out upgrades such as new smart-contract tools, bridges to other blockchains, and protocol changes.

Songbird uses a consensus model based on federated Byzantine agreement with Avalanche-style mechanics. This design avoids the need for mining or traditional proof-of-stake, while keeping the network secure. The network also includes the Federated Time Series Oracle (FTSO), which provides reliable price and data feeds from outside sources. SGB is the native token of Songbird. It is used to pay transaction fees and to take part in on-chain governance. Holders can also “wrap” SGB into WSGB and delegate it to data providers in the FTSO. In return, they share in the rewards that providers earn for delivering accurate data. By using SGB, token holders support the network’s operations and can influence future upgrades, while developers and applications gain access to decentralized price feeds and cross-chain data.

Who is behind the project?

The Songbird network is linked to the Flare network, developed by Flare Networks Limited, a UK-based company founded in 2019 by Hugo Phillion, Sean Rowan, and Nairi Usher. Work on Flare began in 2017, and the company was incorporated in 2019. Songbird, a canary network for Flare, launched in September 2021.

Tokenomics of Songbird

The initial distribution of SGB tokens was done through a free airdrop to XRP holders in July 2021. The airdrop allocated SGB tokens to XRP holders in proportion to their holdings at a 'snapshot' taken on December 12, 2020. 0.1511 SGB was issued for every 1 XRP held in a wallet or participating centralized exchange account. The total supply of SGB tokens is not hard capped and new tokens are released into circulation through a combination of mining rewards and inflationary measures. The inflation rate is set to decrease over time, with the goal of reaching a steady state where the rate of the new token issuance matches the rate of token loss through transaction fees and other burning mechanisms.

General Risks

Like all other digital assets, there are some general risks to investing in SGB. 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 Songbird

Competition

Songbird faces competition from other canary networks such as: Kusama (KSM) and other similar networks. SGB's value derives from the Songbird and the Flare network's broader adoption in the market. If the Flare & Songbird networks fail to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SGB.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on SGB and determined that SGB 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 SGB, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created SGB;
- The supply, demand, maturity, utility and liquidity of SGB;
- Material technical risks associated with SGB, including any code defects, security breaches and other threats concerning SGB 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 SGB, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of SGB, 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 SGB about whether SGB, or generally about whether the type of crypto asset, is a security and/or derivative.