

PAYWARD CANADA INC.

CRYPTO ASSET STATEMENT

SPELL

Abracadabra (SPELL)

Last updated on September 02, 2025

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 SPELL 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 SPELL. 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 Abracadabra and how does it work

Abracadabra is a decentralised lending protocol that lets users deposit yield-bearing tokens, such as xSUSHI or yvUSDT, into protocol vaults and use those assets as collateral to mint Magic Internet Money (MIM), a USD-pegged stable-value token that circulates across multiple blockchains. Users retain the underlying yield on the deposited assets while accessing additional liquidity through the newly-minted MIM.

To borrow, a user locks approved interest-bearing tokens in a vault; the protocol assigns a debt allocation and interest rate, then issues the requested amount of MIM directly to the user's wallet. Because MIM is backed by the interest-bearing collateral, borrowers can continue earning yield on the collateral while deploying the borrowed liquidity in other on-chain activities.

The protocol's governance token, SPELL, is an ERC-20 asset on Ethereum. Holders may stake SPELL to receive sSPELL, representing a pro-rata share of protocol fees and voting rights in Abracadabra's decentralised-autonomous-organisation (DAO). Staking is non-custodial and auto-compounding: over time each sSPELL represents an increasing amount of SPELL as fees are periodically converted to SPELL and deposited into the staking contract.

Who is behind the Project?

The founding team of Abracadabra is anonymous, which is not uncommon in the cryptocurrency and DeFi space. Abracadabra is governed by a decentralized autonomous organization (DAO) managed by SPELL token holders.

Tokenomics of SPELL

The initial total supply of the SPELL token was 420 billion tokens, but a burn event around launch reduced the maximum supply to 210 billion SPELL. The initial token allocation was distributed as follows:

Category	Allocation
Global farming incentives	63%
Team	30%
IDO	7%
Total	100%

As of September 2025 the circulating supply of SPELL is approximately 166 billion tokens.

General Risks

Like all other digital assets, there are some general risks to investing in SPELL. 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 Abracadabra

Competition

Abracadabra faces competition from other lending platforms such as Maker, Compound, Alchemix, Aave, and many others. SPELL's value derives from Abracadabra's broader adoption in the market. If Abracadabra fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of SPELL.

Developer dependence

Although there are many developers working on the Abracadra project there are no guarantees that they will continue to contribute. Abracadabra could be negatively affected by an inability to retain and/or attract developers to continue to maintain and develop the application.

Due Diligence

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