PAYWARD CANADA INC.
CRYPTO ASSET STATEMENT
Merlin Chain (MERL)

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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 MERL 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 MERL. 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 Merlin Chain and how does it work?

Merlin Chain is a Bitcoin-native Layer 2 (L2) protocol developed by Bitmap Tech. It aims to enhance Bitcoin's scalability and functionality by integrating technologies such as zero-knowledge rollups (ZK-Rollups), decentralized oracle networks, data availability layers, and on-chain BTC fraud-proof modules. The project seeks to support Bitcoin-native assets, users, and protocols, enabling the development of decentralized applications (dApps) within the Bitcoin ecosystem.

Merlin Chain operates as an Ethereum Virtual Machine (EVM)-compatible platform, allowing developers to deploy smart contracts using familiar tools and frameworks. By leveraging ZK-Rollups, Merlin Chain batches multiple transactions off-chain and submits concise proofs to the Bitcoin network, aiming to reduce transaction costs and increase throughput. The decentralized oracle network provides external data feeds to smart contracts, while the data availability layer ensures that transaction data is accessible and verifiable.

The MERL token serves several functions within the Merlin Chain ecosystem, including:

- **Staking**: MERL can be staked to help secure the network or participate in validator operations within the ecosystem;
- **Transaction Fees**: Users pay MERL tokens to cover transaction fees on the Merlin Chain network;
- **Governance**: MERL holders can participate in governance decisions, influencing the direction of protocol upgrades and ecosystem development;
- **Collateral and Liquidity**: MERL can be used as collateral in decentralized finance (DeFi) applications or for providing liquidity within Merlin Chain-based protocols;
- **Ecosystem Incentives**: MERL is also used for incentivizing developers, community contributions, and strategic ecosystem growth initiatives

Who is behind the Project?

Merlin Chain is developed by Bitmap Tech, a company led by Jeff Yin.Bitmap Tech has been involved in various Bitcoin-related projects.

Tokenomics of MERL

MERL has a total supply of 2.1 billion tokens. The token distribution is as follows:

Category	Allocation
Merlin's Seal airdrop	20%
Public sale (People's Launchpad)	1%
Private investor sales	15.23%
Advisors	3%
Team	4.2%
Community rewards	16.57%
Ecosystem grants	40%
Total	100%

General Risks

Like all other digital assets, there are some general risks to investing in MERL. 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 Merlin Chain

Competition
MERL faces competition from otherBitcoin-native Layer 2 (L2) projects such as Stacks (STX), Rootstock (RSK) and many others. MERL's value derives from the project's broader adoption in the market. If MERL fails to achieve sufficient adoption compared to the other options in the market, this could negatively impact the value of MERL.

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