Inline XBRL

Avalon Labs MiCAR White Paper

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Date of Notification: 2025-07-02

Summary

Warning: This summary should be read as an introduction to the crypto-asset white paper. The prospective holder should base any decision to purchase this crypto-asset on the content of the crypto-asset white paper as a whole and not on the summary alone. The offer to the public of this crypto-asset does not constitute an offer or solicitation to purchase financial instruments and any such offer or solicitation can be made only by means of a prospectus or other offer documents pursuant to the applicable national law. This

> crypto-asset white paper does not constitute a prospectus as referred to in Regulation (EU) 2017/1129 of the European Parliament and of the Council (36) or any other offer document pursuant to Union or national law.

Characteristics of the Crypto-Asset AVL is a fungible utility and governance token with a total supply of 1 billion, issued on multiple blockchains including Ethereum. It is freely transferable. Holders have the right, but not the obligation, to stake AVL for rewards, receive fee rebates on the Avalon platform, and participate in governance. These rights are exercised by interacting with the platform's smart contracts. Rights may be modified in response to regulatory changes, through a governance vote, or to ensure protocol security.

Utility Token Summary The AVL utility token provides access to services within the Avalon ecosystem. Holders can stake AVL to earn rewards, gain governance power, and receive fee rebates on Avalon's lending products. The token also enables future access to new products. While AVL is freely transferable, restrictions may apply to residents of certain jurisdictions or sanctioned wallets to comply with legal requirements.

Key Information About the Admission to Trading AVL is being admitted to trading to enable wider community participation in the governance of the Avalon Labs protocol and to provide a transparent secondary market. The admission to trading is planned for August 15, 2025, on platforms including Bitvavo, Bitpanda, and Bit2Me.

Regulatory Disclosures

Statement in accordance with Article 6(3):

> This crypto-asset white paper has not been approved by any competent authority in any Member State of the European Union. The person seeking admission to trading of the crypto-asset is solely responsible for the content of this crypto-asset white paper.

Statement in accordance with Article 6(6):

> This crypto-asset white paper complies with Title II of Regulation (EU) 2023/1114 and, to the best of the knowledge of the management body of Avalon Labs, the information presented in the crypto-asset white paper is fair, clear and not misleading and the crypto-asset white paper makes no omission likely to affect its import.

Statement in accordance with Article 6(5), points (a), (b), (c):

> The crypto-asset referred to in this white paper may lose its value in part or in full, may not always be transferable and may not be liquid.

Statement in accordance with Article 6(5), point (d):

> The utility token referred to in this white paper may not be exchangeable against the good or service promised in the crypto-asset white paper, especially in the case of a failure or discontinuation of the crypto-asset project.

Statement in accordance with Article 6(5), points (e) and (f):

> The crypto-asset referred to in this white paper is not covered by the investor compensation schemes under Directive 97/9/EC of the European Parliament and of the Council. The crypto-asset referred to in this white paper is not covered by the deposit guarantee schemes under Directive 2014/49/EU of the European Parliament and of the Council.

1. Information about the Person Seeking Admission to Trading

Name: TBT Global Ltd., hereafter referred to as "Avalon Labs"
Legal Form: 6EH6
Registered address: 3rd Floor, Johnson's Ghut, Tortola, VG1110, VG
Registration Date: 2023-01-16
Legal entity identifier: N/A
Another identifier required pursuant to applicable national law: 2116370
Contact telephone number: +14588954828
E-mail address: venus@avalonfinance.xyz
Response Time (Days): 4
Parent Company: N/A
Members of the Management body:

Name	Business Function	Business Address
TBT GLOBAL LTD	Business Company	3rd Floor, Johnson's Ghut, Tortola, British Virgin Islands

Business Activity: Avalon Labs operates a blockchain-based platform that facilitates crypto-asset lending using Bitcoin and its derivatives as collateral. The platform enables users to deposit supported crypto-assets and obtain overcollateralized loans in a designated digital asset (e.g., stablecoins). Avalon offers two types of lending models: decentralized finance (DeFi) and centralized-decentralized finance (CeDeFi). Under the DeFi lending model, users can interact with smart contracts to supply or borrow digital assets, including Bitcoin Liquid Staking Derivatives (LSDs), in a permissionless manner. In the CeDeFi lending model, institutional lenders and borrowers participate in a structured environment, KYC and KYB are required. The borrowing process may involve the issuance of a

collateralized debt position (CDP)-based token, referred to as USDa, developed by Avalon. Avalon Labs also provides a mechanism for users to stake USDa. The benefits to users participating in staking may vary depending on platform activity and business performance. All staking activities are subject to risks, and past performance is not indicative of future results. Avalon does not guarantee returns on staking.

Newly Established: true

Financial condition since registration: Avalon Labs commenced development in January 2024 and launched its operational platform on March 15, 2024. In the same month, the company raised $1.5 million in seed capital through a SAFT investment round. To promote adoption, Avalon waived platform fees through July 2024. Fee-based revenue began in August 2024, with steady monthly growth observed through early 2025. From August 2024 to May 2025, Avalon generated approximately $4.75 million in cumulative platform fee income. This growth was supported by the September 2024 launch of CeDeFi lending services tailored to institutional participants. In December 2024, Avalon closed a $10 million Series A equity financing round. Operational expenses during Q1 2025 totaled approximately $2.5 million, primarily allocated to marketing, ecosystem campaigns, and exchange-related activities. As of May 2025, Avalon maintains a monthly operating expense of roughly $200,000 and holds sufficient capital reserves for over 60 months of continued operations. Revenue generated from ongoing lending activity further supports long-term financial sustainability.

2. Information about the Crypto-Asset Project

Crypto-asset project name: Avalon Labs
Crypto-assets name: AVL
Abbreviation: AVL
Crypto-asset project description: Avalon Labs is developing a decentralized financial infrastructure focused on enabling crypto-collateralized lending, with a strong emphasis on Bitcoin-backed credit markets. The platform supports both decentralized (DeFi) and hybrid (CeDeFi) lending models where users may borrow stablecoins by depositing crypto assets (e.g., BTC, WBTC, or Bitcoin LSDs) as collateral. No fiat currency is involved in any lending or repayment. Avalon Labs does not engage in custodial activity and does not offer fiat-based financial services. The platform integrates Know-Your-Customer (KYC), Know-Your-Business (KYB), and Anti-Money Laundering (AML) procedures for applicable institutional participants. Avalon's ecosystem is powered by the AVL token, which functions as a governance and utility token. The project aims to establish a capital-efficient, transparent, and permissionless on-chain lending market across public blockchain networks.
Details of all natural or legal persons involved in the implementation of the crypto-asset project:

Name	Business Function	Business Address
Junpu Zhao	Business	No. 8 Hengjing Street, Haizhu District, Guangzhou, Guangdong Province, China
Jinxuan Li	Business	Huobashan, Shuyuan Road, Tianxin District, Changsha, Hunan Province, China

Utility Token Classification: true

Key Features of Goods/Services for Utility Token Projects: The AVL token serves as a multi-functional utility and governance token within the Avalon protocol, enabling active user participation and platform benefits: Staking Incentives: Users may stake AVL to receive protocol-based rewards. These rewards are distributed from platform fees or emissions and are not guaranteed or fixed. Fee Reductions: Staked AVL (sAVL) holders are eligible for discounted borrowing fees on Avalon's lending modules. Discounts are calculated on a tiered basis relative to the amount staked. Governance Participation (expected in 2026): Token holders will be able to vote on protocol matters such as feature upgrades, risk parameters, and emission schedules. Ecosystem Utility: AVL may be used to access future products and services within the Avalon Labs network.

Plans for the token: Past milestones: Q1 2024: Avalon Labs development began. DeFi Lending platform launched. Q3 2024: CeDeFi Lending and USDa CDP systems activated. Q1 2025: AVL token generation event (TGE) completed on Bybit Exchange Future milestones: Q4 2025: Launch of AVL fee rebate and staking-based utility on CeDeFi products. Q2 2026: Activation of decentralized governance and AVL emissions control mechanisms. Ongoing: Integration with multiple networks, scaling validator and institutional participation.

Resource Allocation: Since its inception in early 2024, Avalon Labs has raised a total of $11.5 million across seed and Series A funding rounds. These funds have supported platform development, audits, liquidity provision, legal compliance, and ecosystem growth. The team consists of ~20 contributors, including engineers, legal advisors, and community developers. Avalon maintains a conservative financial model with 60+ months of runway as of Q2 2025.

Planned Use of Collected Funds or Crypto-Assets:

- Protocol Development: Further development of DeFi and CeDeFi lending modules and cross-chain support.
- Security & Compliance: Smart contract audits, KYC partners, legal

services, and regulatory filings.
• User Incentives: Community grants, staking rewards, and user education initiatives.
• Liquidity & Market Infrastructure: CEX/DEX liquidity provisioning and market-making reserves.
• Operational Costs: Salaries, infrastructure, and support functions.

No collected funds will be allocated to unrelated speculative activities or redistributed to token founders outside the scope of the protocol roadmap and governance-approved budgets.

3. Information about the Admission to Trading

Public Offering or Admission to trading: ATTR
Reasons for Public Offer or Admission to trading: The purpose of the public offer and admission to trading of AVL is to enable a wider community of users, supporters, and market participants to participate in the governance of Avalon Labs. AVL is a utility and governance token that grants holders participation rights in decisions concerning the development and strategic direction of the protocol. The offering also aims to provide a transparent and accessible secondary market for those seeking to engage with or exit the ecosystem.
Fundraising Target: N/A

Minimum Subscription Goals: N/A

Maximum Subscription Goal: N/A

Oversubscription Acceptance: N/A

Oversubscription Allocation: N/A

Issue Price: N/A

Official currency or any other cryptoassets determining the issue price:

N/A

Subscription fee: N/A

Offer Price Determination Method: N/A

Total Number of Offered/Traded Crypto- Assets: 1000000000

Targeted Holders: ALL

Holder restrictions: There are no restrictions on the type of holders, unless required by applicable jurisdictional laws, including restrictions on residents or citizens of countries subject to sanctions, or where token holding may be prohibited by law. It is the responsibility of each purchaser to ensure compliance with applicable laws and regulations in their jurisdiction.

Reimbursement Notice: N/A

Refund Mechanism: N/A

Refund Timeline: N/A

Offer Phases: N/A

Early Purchase Discount: N/A

Time limited Offer: N/A

Subscription period beginning: N/A

Subscription period end: N/A

Safeguarding Arrangements for Offered crypto-assets: N/A

Payment Methods for Crypto-Asset Purchase: Payment methods will be determined by the centralized trading platforms where AVL is listed. These may include cryptocurrencies (e.g., USDT, BTC, ETH) or fiat currencies as permitted by the respective platforms.

Value Transfer Methods for Reimbursement: AVL tokens do not represent any claim for reimbursement, repayment, or redemption by the issuer. The token's market price is determined by supply and demand. No capital guarantee or return obligation exists.

Right of Withdrawal: This whitepaper does not relate to a public offer of crypto-assets, but to their admission to trading. Pursuant to Article 13 (4) of MiCAR, the withdrawal period does not apply to tokens admitted to trading.

Transfer of Purchased Crypto-Assets: AVL tokens are transferred via the relevant blockchain networks (e.g., Ethereum, BSC, Merlin Chain) to the buyer's personal wallet or held within their account on the exchange platform.

Transfer Time Schedule: N/A

Purchaser's Technical Requirements: Purchasers must have a digital wallet compatible with the networks on which AVL is deployed. They are responsible for securely managing their private keys or centralized exchange credentials. The official token contract addresses are:

- Ethereum: 0x5c8d0c48810fd37a0a824d074ee290e64f7a8fa2
- BNB Chain: 0x9beee89723ceec27d7c2834bec6834208ffdc202
- Merlin Chain: 0x916addd975718d307868b814e0a9bbbedbd7ab17

Placement form: N/A

Trading Platforms name: Bitvavo, Bitpanda, Bit2Me.

Trading Platforms Market Identifier Code (MIC): VAVO

Trading Platforms Access: Investors must register with the selected trading platform and complete its Know-Your-Customer (KYC) and Anti-Money Laundering (AML) procedures. Access is provided through the platform's web or mobile application.

Involved costs: Access to the platforms is generally free. However, trading fees, withdrawal fees, and other service charges may apply depending on the platform's fee structure.

Conflicts of Interest: To the best of the issuer's knowledge, there are no material conflicts of interest associated with this offering. Internal compliance procedures are in place to mitigate any potential conflicts.

Applicable Law: The issuance and offer of AVL is conducted in accordance with the following laws: Regulation (EU) 2023/1114 (MiCAR) – if offered or admitted to trading within the EU. British Virgin Islands Business Companies Act, 2004 – governing corporate conduct of the issuer. General Data Protection Regulation (EU) 2016/679 (GDPR) – where applicable to data handling. Applicable AML/CFT laws and international FATF recommendations.

Competent court: The competent court for legal matters related to this offering shall be the courts of the issuer's jurisdiction, which is the British Virgin Islands, unless otherwise required under applicable European Union law or contractual agreement.

4. Information about the Crypto-Asset

Crypto-Asset Type: We are seeking admission to trading for AVL, a crypto-asset classified as a utility token with governance features. AVL is issued by Avalon Labs and is designed to provide access to certain platform functionalities, including staking, fee rebates, and governance rights within the Avalon protocol.

Crypto-Asset Functionality: Total Token Supply and Allocation – The total supply of AVL is capped at 1 billion. According to the detailed allocation, 28% of the total supply of AVLs are allocated to the community incentive; 20% of the total supply of AVLs are reserved for airdrop; 19% of

the total supply of AVLs are allocated to investors; 15% of the total supply of AVLs are allocated to the ecosystem and treasury; 10% of the total supply of AVLs are allocated to the team of Avalon Labs; 4% of the total supply of AVLs are allocated to the advisors of Avalon Labs; and 4% of the total supply of AVLs are reserved for provision of initial liquidity. Staking – AVL holder can stake AVL and get sAVL, which provides the following utilities: Earn AVL Rewards: By staking AVL as sAVL, AVL holders will earn AVL rewards. This rewards mechanism incentivizes continued support and active involvement in the ecosystem; Governance Power: sAVL holders can vote to decide on new products and features, or to adjust key protocol parameters of Avalan Labs; Control Emission of AVL: sAVL holders can vote on how AVL emissions are distributed into various pools; and Fee Rebates on Avalon Products: sAVL holders can enjoy exclusive fee rebates when using Avalon's USDa and CeDeFi Lending platforms. The more AVL they stake as sAVL, the greater their reduction in borrowing costs. For the avoidance of doubt, we are not instructed to provide any opinion on sAVL and our analysis herein relates solely to AVL.

Planned Application of Functionalities: Currently available functionality: Staking Incentives: Holders may convert AVL into a staked format (sAVL) in order to receive staking-based rewards denominated in AVL. This function is currently operational and available on the Avalon platform. Functionalities planned for Q4 2025: Fee Rebates: sAVL holders will be eligible for discounted fees when using Avalon's USDa issuance and CeDeFi lending services. The level of discount will be tiered based on the quantity of AVL staked. Functionalities planned for Q2 2026: Governance Participation: sAVL holders will be able to participate in governance decisions, including proposals related to protocol development, parameter adjustments, and risk settings. Emission Allocation Control: sAVL holders will be granted the ability to vote on the allocation of future AVL token emissions to specific reward pools or platform modules.

Type of white paper: OTHR

The type of submission: NEWT

Crypto-Asset Characteristics: AVL is a fungible utility token with

governance features issued by Avalon Labs, developed and deployed on a public blockchain. AVL is not an e-money token or asset-referenced token as defined under MiCAR. It does not purport to maintain a stable value by reference to any official currency or basket of assets. Key Characteristics: Token Standard : ERC-20 (or specify actual token standard and chain, e.g., ERC-20 on Ethereum or Polygon) Fungibility : AVL is fully fungible, with all units identical in utility and value. Transferability : AVL can be freely transferred between addresses on the blockchain, subject to applicable law and platform compliance policies. Supply : [Insert total supply cap, or inflation policy if any. E.g., “Capped at 1 billion tokens” or “Supply governed by protocol-based emission schedule.”] Use Case : AVL grants holders access to: Participation in governance processes through staking and voting (starting Q2 2026); Reduced fees and exclusive platform benefits for using Avalon services (starting Q4 2025); Staking to earn platform incentives (live since Q2 2025).

Commercial name or trading name: AVL

Website of the issuer: https://www.avalonfinance.xyz/

Starting date of offer to the public or admission to trading: 2025-08-15 (tentative)

Publication date: 2025-07-30

Any other services provided by the issuer: Avalon Labs does not currently provide any services that fall outside the scope of Regulation (EU) 2023/1114 (MiCAR). All services offered by Avalon Labs, including token issuance, staking, DeFi and CeDeFi lending facilitation, and governance participation, fall under regulated crypto-asset activities as defined by MiCAR. Avalon Labs does not engage in activities that require separate authorization under other Union or national laws (e.g., MiFID II, PSD2, or the E-Money Directive). Should any future services fall outside the scope of MiCAR, Avalon Labs will ensure compliance with applicable regulatory requirements.

Language or languages of the white paper: English

Functionally Fungible Group Digital Token Identifier, where available: Not available

Voluntary data flag: false
Personal data flag: false
LEI eligibility: true
Home Member State: NL
Host Member States: NL

5. Rights and Obligations

Purchaser Rights and Obligations: Purchasers of AVL tokens do not incur any legal obligations solely by acquiring or holding AVL. AVL is a utility and governance token that grants optional, non-mandatory rights to token holders, including:

• Staking Incentives: Holders may voluntarily stake AVL into the designated smart contract to receive rewards denominated in AVL. This feature is currently active.

• Fee Rebates: Staked AVL (sAVL) holders may be eligible for tiered fee reductions when accessing certain services on the Avalon platform, such as USDa issuance or CeDeFi lending.

• Governance Participation: sAVL holders may choose to participate in on-chain governance by voting on proposals related to platform operations, including updates to protocol parameters and product governance.

• Emission Allocation Control: sAVL holders may vote on how future AVL emissions are distributed across ecosystem functions and incentive pools.

Holding AVL does not impose any mandatory responsibilities on purchasers. All participation in staking, governance, or other features is voluntary.

Exercise of Rights and obligations: Token holders can exercise rights by interacting with the corresponding smart contracts or governance portals. For example:

• Staking and Fee Rebates: Users may deposit AVL into the staking vault through the Avalon platform interface. No additional conditions apply apart from holding the token.
• Governance Participation and Emission Voting: These rights will be available through designated governance interfaces, which will be announced at the time of activation.

All rights are subject to the terms and technical availability on the platform.

Conditions for modifications of rights and obligations: AVL token functionality and associated rights may only be modified under the following conditions:
• In response to changes in applicable regulatory frameworks, including but not limited to MiCAR or FATF guidance.
• As determined by a formal governance vote initiated and approved by sAVL holders.
• To protect the integrity, security, or lawful operation of the protocol.

No unilateral changes will be made by Avalon Labs without cause or due process.

Future Public Offers: Avalon Labs intends to pursue additional listings on centralized trading platforms to improve market access and token liquidity. Applications are under consideration for platforms such as Binance, Coinbase, Kraken, and others, subject to exchange approval processes.

Issuer Retained Crypto-Assets: 100000000

Utility Token Classification: false

Non-Trading request: false

Crypto-Assets purchase or sale modalities: After the initial offering, AVL tokens can be traded on secondary markets, including centralized exchanges (CEXs) and decentralized exchanges (DEXs). Trading activities will be facilitated by authorized market makers and individual token holders.

Crypto-Assets Transfer Restrictions: AVL tokens are freely transferable, subject to compliance with applicable jurisdictional restrictions, anti-money laundering (AML) standards, and sanctions screening. Transfer restrictions may apply to: Residents of jurisdictions where crypto-asset transactions are prohibited by law . Blacklisted wallets flagged by compliance screening tools or OFAC lists. The issuer does not impose any contractual lock-ups, but reserves the right to enforce restrictions where required by law or regulation.

Supply Adjustment Protocols: false

Token Value Protection Schemes: false

Compensation Schemes: false

Applicable law: The issuance and offer of AVL is conducted in accordance with the following laws: Regulation (EU) 2023/1114 (MiCAR) – if offered or admitted to trading within the EU. British Virgin Islands Business Companies Act, 2004 – governing corporate conduct of the issuer. General Data Protection Regulation (EU) 2016/679 (GDPR) – where applicable to data handling. Applicable AML/CFT laws and international FATF recommendations.

Competent court: In the absence of mandatory EU or consumer protection laws to the contrary, the competent court for legal disputes related to this offer shall be: The Commercial Division of the Eastern Caribbean Supreme Court in the British Virgin Islands, unless otherwise agreed or required by law in a specific jurisdiction.

6. Information on the Underlying Technology

Distributed ledger technology: Avalon Labs' crypto-asset, AVL, is issued and transferred using Ethereum, Binance Smart Chain (BSC), and Merlin Chain, all of which are public, permissionless distributed ledger technologies (DLTs). These blockchains use proof-of-stake (PoS) or hybrid consensus mechanisms and are compliant with open-source blockchain standards. Each network ensures immutability, decentralization, and transparency of token transactions, and supports EVM-compatible smart contracts.

Protocols and technical standards: The AVL token is implemented using widely accepted standards and protocols: ERC-20 standard on Ethereum BEP-20 standard on Binance Smart Chain EVM-compatible token standard on Merlin Chain Smart contracts follow the OpenZeppelin framework for enhanced security and are written in Solidity . The smart contracts undergo independent security audits and include standard functions for minting, burning, transferring, and staking tokens.

Technology Used: AVL tokens can be held, stored, and transferred using any EVM-compatible wallet infrastructure, including:

- Self-custodial wallets such as MetaMask, Trust Wallet, or Rabby Hardware wallets like Ledger and Trezor for offline storage
- Centralized custodial platforms, such as Bitvavo and other exchange wallets
- Smart contract-based staking vaults, which allow users to stake AVL for rewards and governance rights.

All transfers are executed via blockchain transactions, which require private key authorization. Users are responsible for safeguarding access

credentials and complying with best practices for wallet and asset security.

Consensus Mechanism: The AVL token operates on multiple public, permissionless blockchains that use well-established consensus mechanisms : Ethereum (PoS) : Ethereum uses a Proof-of-Stake (PoS) consensus mechanism, where validators propose and attest to blocks in exchange for staking rewards. Binance Smart Chain (PoSA) : BSC uses a Proof-of-Staked-Authority (PoSA) mechanism, a hybrid model combining delegated proof of stake and proof of authority. Merlin Chain : An Ethereum Layer 2 based on ZK-rollup architecture, utilizing ZK-based validity proofs in combination with Ethereum's PoS consensus for final settlement. These consensus mechanisms ensure transaction validity, immutability, and network security.

Incentive Mechanisms and Applicable Fees: AVL has the following incentive and fee structures: Incentive Mechanisms : Staking Rewards : Users who stake AVL into sAVL receive token-based rewards distributed on-chain. Governance Participation : sAVL holders can vote on reward allocation and protocol updates, incentivizing active community involvement. Fee Rebates : Users receive reduced borrowing or platform fees when staking AVL as sAVL. Applicable Fees : Network Transaction Fees : Standard gas fees apply based on the blockchain in use (Ethereum, BSC, etc.). Platform Usage Fees : Certain actions within Avalon Labs' CeDeFi and DeFi products may incur service fees, disclosed transparently in each product's terms.

Use of Distributed Ledger Technology: false

Audit: true

Audit outcome: Avalon Labs has completed over 10 independent smart contract and security audits conducted by recognized blockchain security firms . Outcome: No critical or high-risk vulnerabilities were identified. All findings have been remediated or deemed acceptable within industry standards. The codebase conforms to best practices in secure smart contract development.

7. Information on Risks

Offer-Related Risks:

• Market Volatility: The price of AVL may experience high volatility due to supply and demand dynamics, macroeconomic factors, and sentiment-driven speculation.
• Liquidity Risk: Trading volumes on admitted platforms may be insufficient to guarantee continuous liquidity, potentially impacting investors' ability to buy or sell AVL at desired prices.
• Regulatory Uncertainty: Changes in national or EU regulations relating to crypto-assets could restrict or prevent the continued offering or trading of AVL, especially if interpreted as a financial instrument or e-money.
• Exchange Risk: The platforms on which AVL is admitted to trade may experience operational failures, listing policy changes, delisting decisions, or regulatory enforcement actions.

Crypto-Assets-related Risks:

• No Inherent Value: AVL is not backed by assets, profits, or any redemption guarantee. Its value is derived solely from market perceptions of its utility and governance rights.
• Utility Token Risk: As a governance and utility token, AVL's features may not be fully utilized, reducing its perceived value among holders.
• Non-refundable Nature: AVL does not grant any legal claim to reimbursement, dividends, or equity rights in Avalon Labs.
• Concentration Risk: A significant portion of AVL may be held by early investors or insiders, creating the potential for price manipulation or

governance centralization.

Project Implementation-Related Risks:

• Execution Risk: Delays or failures in deploying expected features (e.g., full governance activation, DeFi integrations) could impair user expectations and token value.
• Business Model Dependence: The project's sustainability is linked to platform adoption, borrower demand, and continued access to institutional liquidity.
• Dependence on Third Parties: Avalon Labs partners with third-party custodians, auditors, developers, and liquidity providers. Failures or disputes with such parties could impact operations.

Technology-Related Risks:

• Smart Contract Vulnerabilities: Bugs or logic errors in smart contracts could lead to fund loss or exploitation.
• Blockchain Downtime or Forks: Network-level disruptions on Ethereum, BSC, or Merlin Chain (such as congestion, attacks, or consensus failure) may temporarily affect the functionality of AVL.
• Private Key Risks: Users must safeguard their private keys or exchange login credentials. Loss or compromise may result in irreversible loss of tokens.
• Dependency on Layer-2 Solutions: AVL on Merlin Chain depends on the security and uptime of both the L2 protocol and the Ethereum mainnet.

Mitigation measures:

• Security Audits: All smart contracts are audited by multiple independent cybersecurity firms before deployment. Identified issues are addressed before mainnet release.
• Bug Bounty Programs: Avalon Labs will establish ongoing bounty programs to incentivize ethical disclosure of potential vulnerabilities.
• Operational Monitoring: Real-time monitoring of blockchain activity and smart contract performance is employed to detect anomalies and unauthorized access attempts.
• Governance Controls: Protocol upgrades and treasury allocations are subject to decentralized governance (via sAVL holders) to minimize

unilateral changes.

• Key Management Guidance: Users are provided with security best practices and educational materials on secure wallet use and phishing awareness.

8. Information on Sustainability Indicators

Consensus Mechanism: As per Section 6, the AVL token operates on multiple public, permissionless blockchains that use well-established consensus mechanisms : Ethereum (PoS) : Ethereum uses a Proof-of-Stake (PoS) consensus mechanism, where validators propose and attest to blocks in exchange for staking rewards. Binance Smart Chain (PoSA) : BSC uses a Proof-of-Staked-Authority (PoSA) mechanism, a hybrid model combining delegated proof of stake and proof of authority. Merlin Chain : An Ethereum Layer 2 based on ZK-rollup architecture, utilizing ZK-based validity proofs in combination with Ethereum's PoS consensus for final settlement. These consensus mechanisms ensure transaction validity, immutability, and network security.

Incentive Mechanisms and Fees: As per Section 6, AVL has the following incentive and fee structures: Incentive Mechanisms : Staking Rewards : Users who stake AVL into sAVL receive token-based rewards distributed on-chain. Governance Participation : sAVL holders can vote on reward allocation and protocol updates, incentivizing active community

involvement. Fee Rebates : Users receive reduced borrowing or platform fees when staking AVL as sAVL. Applicable Fees : Network Transaction Fees : Standard gas fees apply based on the blockchain in use (Ethereum, BSC, etc.). Platform Usage Fees : Certain actions within Avalon Labs' CeDeFi and DeFi products may incur service fees, disclosed transparently in each product's terms.

Beginning of the period to which the disclosure relates: 2024-01-01

End of the period to which the disclosure relates: 2025-06-12

Energy consumption: AVL is a utility and governance token issued on multiple public blockchain networks, including Ethereum, BNB Smart Chain (BSC), and Merlin Chain. The validation of AVL transactions and ledger integrity is maintained by the consensus mechanisms of those underlying networks. Avalon Labs does not operate independent nodes or validation infrastructure, nor does it maintain a proprietary blockchain. Therefore, AVL itself does not consume energy beyond what is required by the hosting blockchains. As such, Avalon Labs is unable to provide a total energy usage figure (in kWh) that is specifically attributable to AVL transactions. However, the energy consumption is indirectly associated with the broader energy profile of the host blockchains.

Energy consumption sources and methodologies: Since AVL is deployed on third-party blockchains and does not operate its own consensus mechanism or validator infrastructure, no direct energy usage by Avalon Labs can be calculated for AVL-specific transaction processing. However, for reference: Ethereum, post-Merge, uses Proof of Stake, with an estimated network-wide energy usage of <0.01 TWh/year, according to the Ethereum Foundation and research by Crypto Carbon Ratings Institute (CCRI) . BNB Smart Chain and Merlin Chain also utilize Proof of Staked Authority (PoSA) or equivalent hybrid mechanisms, which are significantly less energy-intensive than Proof of Work (PoW) networks. Avalon Labs has not conducted or commissioned an independent energy consumption audit and relies on published third-party data for estimation purposes.

Renewable energy consumption: N/A

Energy intensity: N/A

Scope 1 DLT GHG emissions – Controlled: N/A

Scope 2 DLT GHG emissions – Purchased: N/A

GHG intensity: N/A

Key energy sources and methodologies: N/A

Key GHG sources and methodologies: N/A