

12th November 2017

STATEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

Byte Power Group Ltd response to ASX Query Letter

Byte Power Group Ltd (ASX:BPG or the 'Company') is pleased to provide this response in relation to ASX's query letter dated 9th November 2017 regarding questions and requests for information relating to BPG's recent announcements to the market, having regard to BPG's obligations under Listing Rule 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

In response to the questions detailed in the ASX's letter the Company advises as follows:

1. A copy of the Term Sheet entered into by its wholly owned subsidiary, Byte Power Pty Ltd (**BPPL**) with Soar Labs Pte Ltd (**Soar Labs**) has been provided to ASX confidentially (not for release to the market).
2. A copy of the Subscription Agreement entered into by BPPL with Soar Labs has been provided to ASX confidentially (not for release to the market).
3. A copy of the Soar Labs Software Development Proposal (subject to further negotiations in relation to binding terms) (**Proposal**) between BPPL and Soar Labs in relation to the cryptocurrency exchange (**Exchange**) design and services work (**Work**) to set up the Exchange has been provided to ASX confidentially (not for release to the market). Soar Labs has been progressing Work in accordance with their Proposal as part of the collaboration between Soar Labs and BPPL.
4. The Company notes the steps outlined below have commenced and are ongoing. Steps that BPPL must undertake to establish the Exchange in Australia are:
 - Design and build software for the Exchange platform (**Software**);
 - Identify third party providers for supply of infrastructure to run Exchange software;
 - Integrate appropriate regulatory compliance functionality and features within the technical design, user interface procedures, and company operating policies to ensure not only compliance but best of industry practices;
 - Identify and partner with financial institutions to allow for pairing of pre-approved cryptocurrencies with an Australian Dollar facility;
 - Identify other resources needed to manage and run the Exchange.

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The following are timelines for completing the steps listed above:

- Work is being undertaken by Soar Labs on an ongoing basis. Alpha testing of the system robustness (**Alpha Testing**) is expected to commence before the end of 2017, as announced on ASX. Further development work required to improve the Exchange functionality to make it user friendly, mobile friendly, and to equip with advanced security functions is targeted for the first quarter of 2018.
 - BPPL has identified third party providers of infrastructure to run the Exchange platform and will be negotiating service agreements with these providers.
 - BPPL has commenced the review of the requirements established under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (**AML/CTF**), including its latest amendments, and relevant ASIC determinations insofar as they affect the operations of the Exchange and the provision of its services, so as to ensure the technical design and development incorporates the necessary features to meet the requirements of the legislation. In particular, the Exchange will ensure:
 - That it is enrolled and registered on the Digital Currency Exchange Register maintained by AUSTRAC and provide prescribed registration details;
 - The adoption and maintenance of an AML/CTF program to identify, mitigate and manage the money laundering and terrorism financing risks that could be faced;
 - That systems are in place to enable the Exchange to identify and verify the identities of its customers;
 - That it can and will report suspicious matters and transactions involving physical currency that exceed \$10,000.00 or more (or foreign equivalent) to AUSTRAC; and
 - That certain records are kept relating to transactions, customer identification and the exchange's AML/CTF program for a period of seven years.
 - BPPL is progressing discussions to formalise partnerships with relevant financial institutions to provide the services required for pairing of the pre-approved cryptocurrencies with an Australian Dollar facility. BPPL is targeting the completion of initial pairing arrangements in the first quarter of 2018.
 - BPPL is monitoring the resources required to run the Exchange to ensure the very highest service levels are provided. BPPL is currently considering a competent candidate for the role of "General Manager of the Cryptocurrency Exchange" and targets to have this position filled before the end of 2017.
5. Pursuant to the Proposal, BPPL is collaborating with Soar Labs on the software development and Alpha Testing for the Exchange as well as on the functionality of the Exchange to improve its user friendliness and security for cryptocurrency trading.
 6. As part of the Proposal, a breakdown of estimated fees to complete the Work has been provided to the ASX confidentially (not for release to the market).
 7. The Company has not paid any fees to Soar Labs to date. It is anticipated that fees will only become payable after the software has been tested, subject to further negotiations between the parties.
 8. BPPL has been responsible for managing the setup and future launch of the Exchange activities as required. BPPL:
 - has identified third party providers of infrastructure to run the Exchange platform and will be negotiating service agreements with these providers; and
 - is considering a competent candidate for the role of "General Manager of the Cryptocurrency Exchange" and expects this role to be filled before the end of 2017.

9. There have been no monetary funds expended to date to meet the condition referenced in the Term Sheet. However, a lot of goodwill work has been performed by the Company, BPPL and Soar Labs Pte Ltd towards achieving the condition.
10. Yes. BPG is aware of ASIC Information Sheet 225. We understand that in the event that a coin, such as the proposed "soarcoin", is found to be a financial product (whether it is a managed investment scheme, share or derivative), then any platform that enables investors to buy (or be issued) or sell these coins may involve the operation of a financial market. To operate in Australia, the platform operator may need to hold an Australian market licence unless covered by an exemption. We believe at present this licence is not relevant to the Company, as the Company is not undertaking any initial coin offerings (ICOs), and the Exchange platform is still in development. The Company is in the process of taking steps to obtain any necessary licences and comply with all relevant legal and regulatory requirements.
11. BPG is in the process of obtaining legal advice on the legal and regulatory requirements at each stage in relation to establishing and operating an Exchange in Australia. BPG will continue to seek legal and regulatory advice as it progresses through the various stages of development culminating in the launch of the Exchange. The Company will ensure that it complies with all new regulations that may be brought in from time to time to further regulate this very exciting and innovative Exchange marketplace.

To date, the Company:

- has made enquiries in relation to the Know Your Client (KYC), AML/CTF compliance requirements for the Exchange, and in particular is cognisant of the requirements contained in the *Anti-Money Laundering and Counter Terrorism Financing Act 2006* (Cth) including its latest amendments insofar as they relate to the obligations of cryptocurrency exchanges as detailed above;
 - is mindful of the issues relating to the requirements for running a cryptocurrency exchange such as the potential need for an Australian market licence and has begun to address these issues now that the regulatory requirements have been published by ASIC on or about end of September 2017 in the ASIC Information Sheet 225 (**Regulatory Requirements**);
 - is looking at internal policy, procedural and structural requirements to address the Regulatory Requirements and have started to prepare a technical brief for the Exchange development team;
 - will continue to work with the Exchange development team to ensure the Exchange is fully compliant and delivers a world class cryptocurrency trading platform.
12. Apart from the further details provided in this response, the Company is not aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities.
13. Not applicable.
14. Not applicable.
15. Not applicable
16. Not applicable

17. The Company is in compliance with the Listing Rules and in particular, Listing Rule 3.1.
18. The Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its Board.

Yours faithfully,

Yano Lim
Company Secretary
Byte Power Group Limited

For personal use only



9 November 2017

Yano Lim
Company Secretary
Byte Power Group Limited
Unit 13, 76 Doggett Street
Newstead QLD AU 4006

By email: yylim@msn.com.au ; jyates@bytepowergroup.com

Dear Mr Lim,

Byte Power Group Limited ("BPG"): ASX Query Letter

ASX Limited ("ASX") refers to the following:

- A. BPG's announcement entitled "BPG Announces Terms of Subscription Agreement" lodged on the ASX Market Announcements Platform ("MAP") and released at 3:25pm on 13 June 2017 ('June Announcement'), disclosing that BPG through its wholly owned subsidiary Byte Power Pty Ltd ('BPPL') had entered into a term sheet ('Term Sheet') with Singapore-based Soar Labs Pte Ltd ('Soar Labs'). The June Announcement said that:
- Soar Labs had agreed to invest USD\$5m to buy a 49% interest in BPPL, that amount being paid as to USD\$0.1m in the form of cash and USD\$4.9m in the form of "Soarcoins" issued at a price of US1.6 cents per coin;
 - The investment was to be applied in establishing and running a cryptocurrency exchange in Australia, marketing and distribution of the Company's Wimobilize Big Data solution in Australia and New Zealand, and general working capital;
 - A condition of the investment was that "the Company will be required to procure all equipment and human resources required to set up and launch a cryptocurrency exchange in Australia"; and
 - The parties would use reasonable endeavours to enter into a final subscription agreement within 20 business days and then issue the shares no later than 5 business days after signing the subscription agreement.
- B. BPG's 2017 Annual report lodged on MAP on 2 October 2017 which disclosed on page 1 that BPPL had signed a subscription agreement ('Subscription Agreement') with Soar Labs on 23 June 2017.
- C. BPG's announcement entitled "Byte Power Group Ltd update on Cryptocurrency Exchange" lodged on MAP and released at 8:13AM on 27 October 2017 ('October Announcement') disclosing that:

"Byte Power Group is pleased to advise that the technical team at Soar Labs is well advanced in the software development and expects to be Alpha testing the system robustness before the end of the year...As well as progressing the software development and testing of the platform, Byte Power Pty Ltd is formalizing partnerships to enable the pairing of pre-approved cryptocurrencies

with an Australian dollar facility. This will provide a seamless trading process to convert traded cryptocurrencies such as Bitcoin, Ethereum and Soar Coins to Australian dollars through the Exchange.”

- D. BPG’s announcement entitled ‘Appendix 4C’ for the month of September 2017 lodged on the ASX Market Announcements Platform and released at 31 October 2017 at 4:22 PM, disclosing no Research & Development (‘T&D’) expenditure by BPG for that month or the year to date (‘Appendix 4C’).
- E. The announcement entitled “BPG Response to ASX Price Query” lodged on MAP and released at 3:08 pm on 6 November 2017 (‘Price Query Announcement’), in which BPG responded to ASX’s query regarding the increase in price of BPG’s securities from a close of \$0.001 on 2 November 2017 to a high of \$0.0035 at the time of the query on 6 November 2017, that it was not aware of :
- any information concerning it that had not been announced to the market which, if known by some in the market, could explain the recent trading in its securities; or
 - any other explanation for the recent trading in its securities.
- F. The further significant increase in the price of BPG’s securities on 7 November 2017 to a high of 0.1 cents and a close of \$0.008 on substantially elevated volumes.
- G. ASIC Information Sheet 225: *Initial Coin Offerings*, which outlines a number of legal and regulatory requirements that may apply to offers of cryptocurrency in Australia.
- H. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- I. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity”

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

- J. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*

- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

K. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Having regard to the above, ASX asks BPG to respond separately to each of the following questions and requests for information:

1. Please provide ASX with a copy of the Term Sheet entered into with Soar Labs referenced in the June Announcement (this is not for release to the market).
2. Please provide ASX with a copy of the Subscription Agreement entered into with Soar Labs referenced in BPG's 2017 Annual Report (this is not for release to the market).
3. Please provide a copy of any other agreement entered into by BPG or any of its subsidiaries with Soar Labs or any of its related entities regarding the establishment and running of a cryptocurrency exchange in Australia (this is not for release to the market).
4. Please list the steps that BPG or BPPL must undertake to establish a cryptocurrency exchange in Australia and explain which of those steps have been completed, which of them are yet to be completed and, in the latter case, the anticipated timeline for completing them.
5. The June announcement implied that BPPL would be the entity establishing and running a cryptocurrency exchange in Australia, using the funds invested by Soar Labs. However, the October announcement states that the technical team at Soar Labs is undertaking the software development and testing required for the cryptocurrency exchange. Please clarify the commercial relationship between BPPL and Soar Labs and who is doing what in relation to establishing and running a cryptocurrency exchange in Australia.
6. What fees or other consideration has the Company or any of its subsidiaries agreed to pay to Soar Labs for undertaking the software development and testing work referenced in the October announcement?
7. If the Company or any of its subsidiaries have paid any such fees to Soar Labs to date, please indicate where those fees have been accounted for in BPG's monthly Appendix 4C statements of cash flows lodged with ASX.
8. Please explain what steps BPG or its subsidiaries have undertaken, and what expenditure BPG or its subsidiaries have incurred, to meet the condition referenced in the Term Sheet that "the Company

procure all equipment and human resources required to set up and launch a cryptocurrency exchange in Australia”.

9. If BPG or its subsidiaries have expended any funds to date to meet the condition referenced in the Term Sheet that it “procure all equipment and human resources required to set up and launch a cryptocurrency exchange in Australia”, please indicate where these amounts have been accounted for in BPG’s monthly Appendix 4C statements of cash flows.
10. Is BPG aware of ASIC Information Sheet 225?
11. Has BPG taken any legal advice on the legal and regulatory requirements it must comply with in order to establish and operate a cryptocurrency exchange in Australia? If not, why not?
12. With reference to the Price Query Announcement and the further significant increase in the price of BPG’s securities that occurred on 6 and 7 November 2017, ASX asks again is BPG aware of any information concerning it that has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities?
13. If the answer to question 12 is “yes”, is BPG relying on Listing Rule 3.1A not to announce that information under Listing Rule 3.1? In this regard, please note that the recent trading in BPG’s securities would suggest to ASX that such information may have ceased to be confidential and therefore BPG may no longer be able to rely on Listing Rule 3.1A to withhold the information. Accordingly, if the answer to this question is “yes”, you need to contact us immediately to discuss the situation.
14. If the answer to question 12 is “yes”, does BPG consider the information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
15. If the answer to question 14 is “yes” when did BPG first become aware of this information and why has BPG not released the information to the market?
16. If the answer to question 14 is “no”, please explain the basis for that view.
17. Please confirm that BPG is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
18. Please confirm that BPG’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BPG with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before **9.30 a.m. AEDT on Monday, 13 November 2017**). You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, BPG’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at chris.dobbs@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

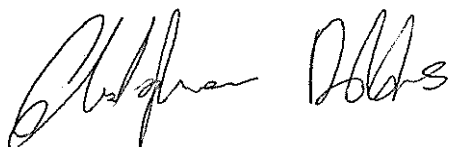
Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to BPG's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that BPG's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chris Dobbs', written in a cursive style.

Christopher Dobbs
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