

5 September 2018

STATEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

Byte Power Group Ltd's response to ASX Query Letter

Response to ASX Query Letter

On 1 August 2018 the ASX issued a query letter (**Query Letter**) to Byte Power Group Limited (**BPG**).

In this Query Letter, the ASX asked BPG under ASX Listing Rule 18.7 to respond to a number of questions and requests for information for the purposes of the ASX being satisfied that BPG is in compliance with the ASX Listing Rules.

BPG sets out its response to each of question raised by the ASX in the Query Letter below:

ASX Queries	BPG response
<p>Question 1: When does BPG intend to offer the BPX Tokens to investors?</p>	<p>BPG intends to undertake a token generation event for Byte Power X Loyalty Tokens (BPX Tokens). BPG Tokens are utility tokens relating to a loyalty program which provides a discount on commissions for users of the Byte Power X Cryptocurrency Exchange (Exchange).</p> <p>Byte Power X Pty Ltd (Byte Power X) will own the Exchange. Byte Power X is a wholly owned subsidiary of Byte Power Pty Ltd, which in turn is a fully owned subsidiary of BPG.</p> <p>Byte Power X has already offered BPX Tokens to selected private investors in Singapore and Australia.</p> <p>It is intended that the BPX Tokens will be issued and credited to those selected private investors once the Exchange is in operation and those investors have established their Exchange accounts.</p>
<p>Question 2: Please describe the current state of development of the offer documents</p>	<p>The documents for the BPX Tokens which have been prepared include:</p> <ul style="list-style-type: none"> • A white paper for the offer of BPX Tokens (White Paper); and • An Anti-Money Laundering and Counter-Terrorism Financing

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<p>for the BPX Tokens. For example, has BPG prepared a white paper or other offer document for the offer?</p>	<p>(AML/CTF) Program.</p>
<p>Question 3: If BPG has prepared a white paper or other offer document for the offer of BPX Tokens, please provide a copy to ASX.</p>	<p>A copy of the White Paper has been provided to the ASX.</p>
<p>Question 4: Does BPG intend to offer the BPX Tokens to investors in Australia?</p>	<p>Yes, BPG has already offered BPX Tokens to select private investors in Australia.</p>
<p>Question 5: If the answer to question 4 is “yes”, please explain what legal advice BPG has as to the status of the BPX Tokens under Australian law and what regulatory obligations it must meet before it offers the BPX Tokens to investors in Australia.</p>	<p>BPG has received legal advice in regards to the offer of BPX Tokens in Australia.</p> <p><u>Status of the BPX Tokens under Australian law</u></p> <p>BPX Tokens are not financial products for the purposes of Chapter 7 of the <i>Corporations Act 2001</i> (Cth) (Corporations Act).</p> <p>The offer of BPX Tokens does not constitute an offer to issue one or more securities (including shares in a body or interests in a managed investment scheme), derivatives or any other kind of financial product.</p> <p>The general consumer protection provisions of the <i>Competition and Consumer Act 2010</i> (Cth) apply to digital currencies.</p> <p><u>Regulatory obligations BPG must meet before it offers the BPX Tokens to investors in Australia</u></p> <p>Relevant requirements under the <i>Privacy Act 1988</i> (Cth) (Privacy Act) will apply. Byte Power X will be subject to the Privacy Act including the Australian Privacy Principles including (but not limited to) the collection, use, disclosure and storage of, and access to, personal information.</p>
<p>Question 6: Does BPG intend to offer the BPX Tokens to investors in jurisdictions outside Australia?</p>	<p>Yes, BPG intends to offer BPX Tokens in jurisdictions outside Australia to select private investors through its network and associates.</p>
<p>Question 7: If the answer to question 6 is “yes”, please disclose the jurisdiction or jurisdictions in question and, for each jurisdiction, please explain what legal advice BPG has as to the status of the BPX Tokens under the law of that jurisdiction and what regulatory</p>	<p>BPG intends to offer BPX Tokens in Hong Kong and Singapore.</p> <p>BPX has already offered BPX Tokens in Singapore.</p> <p>To date, the only foreign jurisdiction for which BPG has obtained legal advice for the offer of the BPX Tokens is Singapore.</p> <p><u>Singapore legal advice</u></p> <p>A snapshot of the legal advice BPG has received in regard to the status of the BPX Tokens under law in Singapore and the regulatory obligations it must meet before it offers the BPX Tokens to investors in Singapore is provided below:</p> <ul style="list-style-type: none"> • Status of the BPX Tokens under Singapore law:

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<p>obligations it must meet before it offers the BPX Tokens to investors in that jurisdiction.</p>	<p>Byte Power X has received legal advice that digital tokens are currently not specifically regulated in Singapore. Hence, it has to be determined whether and how the existing Singapore securities laws apply to the BPX Tokens.</p> <p>From Singaporean legal review of the White Paper version 0.1.0 dated August 2018, the BPX Tokens appear not to have any characteristics of securities as defined in the Securities and Futures Act (Cap. 289) (SFA). Hence, the BPX Tokens are unlikely to be considered as securities under the SFA.</p> <ul style="list-style-type: none"> Regulatory obligations it must meet before Byte Power X offers the BPX Tokens to investors in Singapore: <p>The Singaporean lawyers have advised that given the BPX Tokens are unlikely to be considered as securities under the SFA, the BPX Tokens are unlikely to be regulated under the SFA. Hence, the offering of BPX Tokens to investors in Singapore, including the BPX Token distributions and the BPX Token sales, are unlikely to be subject to regulation or licensing under the SFA.</p> <p>BPG will obtain advice on the regulatory requirements in Hong Kong before offering BPX Tokens in Hong Kong.</p>
<p>Question 8: In what jurisdiction or jurisdictions does BPG intend to operate its cryptocurrency exchange?</p>	<p>BPG intends to operate its cryptocurrency exchange in Australia.</p>
<p>Question 9: For each jurisdiction mentioned in the answer to question 8, please explain:</p>	
<ul style="list-style-type: none"> What legal advice BPG has as to the legality of the operation of its cryptocurrency exchange in that jurisdiction? 	<p>BPG engaged external lawyers for legal advice in relation to:</p> <ul style="list-style-type: none"> assistance with the AUSTRAC registration process and preparation of the first draft of the AML/CTF Program; and issues relating to requirements for Australian financial services and payments regulation for the operation of its cryptocurrency exchange. <p>In regard to the AUSTRAC registration process and the AML/CTF Act:</p> <ul style="list-style-type: none"> A business that provides digital currency exchange services in Australia must register as a Digital Currency Exchange Provider (DCEP) with AUSTRAC on the Digital Currency Exchange Register (DCE Register). Byte Power X was notified on 16 July 2018 by AUSTRAC that its application to register on the DCE Register was successful. Byte Power X is also enrolled on the Reporting Entities Roll with AUSTRAC. Byte Power X has adopted the AML/CTF Program. As a DCEP and a reporting entity, Byte Power X must comply with the relevant AML/CTF requirements including collecting and verifying "know your customer" information, suspicious matter and

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	<p>threshold transaction reporting, record keeping and ongoing customer due diligence.</p> <p>In regard to the issues relating to requirements for Australian financial services and payments regulation for the operation of its cryptocurrency exchange, BPG has received a legal opinion that:</p> <ul style="list-style-type: none"> the operation of the Exchange does not constitute a financial service (as defined in Chapter 7 of the Corporations Act) other than for the purposes described immediately below; the provision of the user account is not a non-cash payment facility (as defined in Chapter 7 of the Corporations Act); and the provision of the user account is not a facility to which the <i>Payment Systems (Regulation) Act 1998</i> or to which the <i>Banking Act 1959</i> applies.
<ul style="list-style-type: none"> What regulatory obligations it must meet before it provides cryptocurrency exchange services in that jurisdiction? 	<p>A business that provides digital currency exchange services in Australia must register as a DCEP with AUSTRAC on the DCE Register.</p> <p>Byte Power X is registered as a DCEP, is enrolled as a reporting entity on the Reporting Entities Roll with AUSTRAC and has adopted an AML/CTF Program. As a DCEP and a reporting entity, Byte Power X must comply with the relevant AML/CTF requirements including collecting and verifying "know your customer" information (applicable customer identification procedure), suspicious matter and threshold transaction reporting, record keeping and ongoing customer due diligence.</p> <p>In relation to the services to be provided in respect of the user account Byte Power X must:</p> <ul style="list-style-type: none"> register as a reporting entity with AUSTRAC; adopt an AML/CTF Program; and comply with the relevant AML/CTF requirements including collecting and verifying "know your customer" information (applicable customer identification procedure), suspicious matter and threshold transaction reporting, record keeping and ongoing customer due diligence.
<ul style="list-style-type: none"> BPG's progress in meeting those regulatory obligations 	<p>Byte Power X has applied for AUSTRAC registration and has been registered on the DCE Register. Byte Power X maintains the AML/CTF Program and as part of compliance process, Byte Power X has appointed an AML/CTF Compliance Officer.</p> <p>In relation to the services to be provided in respect of the user account, Byte Power X will register as a reporting entity with AUSTRAC and adopt an AML/CTF Program.</p>
<ul style="list-style-type: none"> What staff and facilities BPG has in that jurisdiction to enable it to provide cryptocurrency exchange services in that jurisdiction and to meet its regulatory obligations. 	<p>In Australia, the staff engaged in relation to the digital currency exchange are a Finance Manager, AML/CTF Compliance Officer and general administrative staff. Key IT support for the Exchange is provided by Noetic Synergy.</p>

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<p>Question 10: Please name the AFSL holder referenced in BPG's announcement on 30 April 2018 and provide a copy of any agreement that BPG has entered into with that AFSL holder in relation to the operation of the cryptocurrency exchange or the offer of BPX Tokens.</p>	<p>BPG had retained the services of Investor Exchange Limited.</p> <p>Since that date, legal advice in regards to the requirements for an Australian financial services licence for the purposes of Chapter 7 of the Corporations Act was obtained by BPG (as detailed in the response to questions 5 and 8 above). The result of that advice is that the arrangement with Investor Exchange Limited is no longer necessary.</p>
<p>Question 11: Please explain the current state of development of BPG's cryptocurrency exchange and when it is expected to be operational.</p>	<p>The Exchange has been tested by our technology partner, Noetic Synergy, in a test environment over the last few months as new functions are integrated into the Exchange platform.</p> <p>BPG is continuing to improve the user interface of the platform. Pending the satisfaction of the user interface, fiat pairing and other considerations, BPG will provide a market update to the ASX of the estimated timeline.</p> <p>BPG has commenced pre-registration for those investors interested in signing up as a customer of the Exchange.</p>
<p>Question 12: Please explain the process by which BPG's cryptocurrency exchange will allow persons wishing to buy or sell cryptocurrency to enter into and settle those transactions (including the interfaces with banking facilities referenced in BPG's 27 March 2018 announcement).</p>	<p><u>Australian customers</u></p> <p>A user will hold an account with the Exchange for trading purposes.</p> <p>An AUD float account and a USD float account will be held in the name of Byte Power X in which Byte Power X will hold the total AUD and USD amount "loaded" to the Exchange. A user will load its account using the payment methods acceptable to the Exchange. A user will have (among other rights):</p> <ul style="list-style-type: none">• a right to enter Exchange transactions up to the current value of the amount of cryptocurrency or fiat currency displayed in the relevant wallet; or• a right to request that the current value displayed in the user's account be returned to the user's bank account from which the original funds were transferred. <p>A buy / sell exchange transaction (cryptocurrency or fiat currency trading pairs) will be facilitated by Byte Power X entering into a 'back to back' transaction with each buyer / seller (i.e. Byte Power X will buy from the seller and sell to the buyer).</p> <p>Transactions are settled immediately and the transaction proceeds are disbursed to the user's Exchange account. A user can exchange an amount of digital currency in its Exchange account for an amount of fiat currency in its Exchange account. A user can withdraw the fiat currency in its Exchange account by requesting a payment to the bank account from which the original AUD / USD was loaded.</p> <p><u>Overseas customers</u></p> <p>For overseas customers, once these customers have passed the</p>

	<p>regulated KYC verification then they will be able to set up an account with the Exchange for trading purposes. All trading accounts set up with the Exchange will be monitored in accordance with Byte Power X's AML/CTF program.</p> <p>BPG will obtain advice on the regulatory requirements in all foreign jurisdictions before offering BPX Tokens in those jurisdictions.</p> <p>All applicants will be assessed on their verification results and their ability to trade on foreign cryptocurrency exchanges due to their territories regulations.</p>
<p>Question 13: Please provide screen shots of the user interface for BPG's cryptocurrency exchange.</p>	<p>This is detailed below. As detailed above, the Exchange is still under development.</p> <p>Sample screenshots are provided below:</p>

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The screenshot displays the trading interface for BYTE POWER, showing the BTC to USD market. The top navigation bar includes 'Trade', 'Account', 'Profile', 'Support', 'Logout', and 'English'. The main content is divided into several sections:

- Information:** A candlestick chart for 'exchange, 15' with a price of 10,555.56 USD / BTC. The chart shows a single candle at 8200. To the right, market statistics are listed: Open: 8200, Close: 8200, High: 8200, Low: 8200, Volume: 0, Change: 0.00 %.
- Buy and Sell:** Two order forms are visible. The 'Buy' form shows 'Available USD 8000' and 'Available BTC 0.11'. Both forms include a 'Trade Amount' slider (10% to 100%), a 'Limit' section with 'Market Order' and 'Limit Order' options, and a 'Limit amount' field. The 'Buy' form has a green 'Buy' button, and the 'Sell' form has a red 'Sell' button.
- Open orders:** A table showing one open order:

Order number	Type	Nominal/quantity	Limit	State	PNC	Executed	Price	Rate
51	buy	0.10000000 BTC	1,333.00 USD	open	Yes	- BTC	- USD	- USD/BTC
- Trade History:** A table showing two trade entries:

Order number	Type	Nominal/quantity	Limit	State	PNC	Executed	Price	Rate
30	Buy	0.01000000 BTC	40.00 USD	executed	Yes	0.01000000 BTC	- USD	- USD/BTC
29	Buy	1,000.00000000 BTC	Market Order	cancelled	Yes	0.10000000 BTC	999.00 USD	9,990.00 USD/BTC

Question 14: Please explain what BPG intends to do with the \$60 million proposed to be raised from subscribers to the BPX Tokens.

BPG intends to sell approximately 25% of the BPX Tokens to private investors under its White Paper. If all 25% of the BPX Tokens are sold under the White Paper, a maximum \$12 million will be raised from private investors. The funds raised from the sale of the BPX Tokens will be used for working capital for the Exchange.

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<p>Question 15: What commissions is BPG proposing to charge for buying and selling cryptocurrencies on its cryptocurrency exchange and what form will those commissions take – will they be payable in cash, by cryptocurrencies or a combination?</p>	<p>BPG will make commission by way of a trading fee of:</p> <ul style="list-style-type: none"> • 1% for sellers; and • 0.5% for buyers. <p>When using the BPX Token, the commissions will be discounted by 40%. Commission fees will be payable by both cash and cryptocurrency, depending on the transaction and can also be settled by the BPX Token.</p>
<p>Question 16: What discount on those commissions will holders of the BPX Tokens be entitled to?</p>	<p>Holders of the BPX Tokens will be entitled to a 40% discount on commissions. There are no commissions charged when using BPX Tokens to buy Bitcoin.</p>
<p>Question 17: Assuming a person subscribes for 100,000 BPX Tokens for a total subscription amount of US\$6,000:</p>	
<ul style="list-style-type: none"> • What value of cryptocurrency (in US dollars) will that person have to trade on BPG’s cryptocurrency exchange in order to earn back (via their commission discounts) the amount paid to subscribe for the BPX Tokens in the first place? 	<p>If the BPX Token price is US\$0.06 per BPX Token and the investor subscribes for 100,000 BPX Tokens for a total subscription amount of US\$6,000, then a person would have to sell US\$1,500,000 of cryptocurrency to earn back (via their commission discounts) the amount paid to subscribe for the BPX Tokens in the first place.</p> <p>If the BPX Token price is US\$0.06 per BPX Token and the investor subscribes for 100,000 BPX Tokens for a total subscription amount of US\$6,000, then a person would have to buy US\$3,000,000 of cryptocurrency to earn back (via their commission discounts) the amount paid to subscribe for the BPX Tokens in the first place.</p>
<ul style="list-style-type: none"> • What net commissions will that person have to pay to BPG to trade that amount of cryptocurrency? 	<p>The net commission that a person would have to pay to BPG to trade the amount of cryptocurrency detailed above is as follows:</p> <ul style="list-style-type: none"> • If the person sold US\$1,500,000 of cryptocurrency, the net commission the person would pay to BPG would be: <ul style="list-style-type: none"> ○ US\$15,000 worth of commissions, if the commissions were paid using fiat currency; or ○ US\$9,000 worth of BPX Tokens if the commissions were paid using BPX Tokens, giving a US\$6,000 benefit; • If the person bought US\$3,000,000 of cryptocurrency, then the net commission the person would pay to BPG would be: <ul style="list-style-type: none"> ○ US\$15,000 worth of commissions, if the commissions were paid using fiat currency; or ○ US\$9,000 worth of BPX Tokens if the commissions were paid

using BPX Tokens, giving a US\$6,000 benefit.

Michael Wee
Company Secretary
Byte Power Group Limited

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1 August 2018

Mr Michael Wee
Company Secretary
Byte Power Group Limited
13/76 Doggett Street
Newstead QLD 4006

By email: michael@michaelwee.com.au

Dear Mr Wee,

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

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

- A. BPG's announcement entitled "Cryptocurrency Exchange Update" lodged on the ASX Market Announcements Platform ("MAP") on 27 March 2018 disclosing that BPG's technology partner, Noetic Synergy, had advised that:
- core exchange functions development had been completed and was being tested;
 - user interface requirements and interface with banking facilities are being finalised; and
 - regulatory compliance functions and services are being confirmed and are under final negotiation.
- BPG further advised that the cryptocurrency exchange was being developed initially to support 8 cryptocurrencies and 2 fiat currencies.
- B. BPG's announcement entitled "Cryptocurrency Exchange Update" lodged on MAP on 30 April 2018 disclosing that BPG's technology partner, Noetic Synergy, had advised that:
- all major trading platform features and functions had now been completed and are going through final stages of system testing;
 - the last outstanding component (the integration of Know Your Client identity verification systems) was scheduled for implementation "in the coming weeks";
 - BPG had secured the services of an Australian Financial Services Licence ("AFSL") holder, this "being a requirement for the cryptocurrency exchange to deal with real currencies": and
 - BPG was presently "finalising the legal instruments to ensure compliance with relevant security laws".
- C. BPG's announcement entitled "Cryptocurrency Exchange Update" lodged on MAP on 19 July 2018 disclosing that BPG had received "registration approval" from the Australian Transaction Reports and Analysis Centre and also its intension to launch an initial coin offering ("ICO"), by undertaking a token generation event for the Byte Power X Loyalty Token ("BPX Tokens"). BPX Tokens were said to be "utility tokens relating to the loyalty program which provide a discount on commissions for users of the Byte Power X Cryptocurrency Exchange". It further disclosed that BPG intended initially to "focus on cryptocurrency markets in Asia and Australia."
- D. The investor presentation attached to BPG's 19 July 2018 announcement disclosing that:
- BPX Tokens will be issued at US\$0.06 each, with a total of 1 billion tokens being created, and that 25% would be allocated to private sale investors and 75% allocated to pre-registered users of the exchange;
 - BPX Tokens will be able to be purchased on BPG's cryptocurrency exchange and will be tradable just like any other cryptocurrency on that exchange; and

- owners of the BPX Tokens can use them to pay for commissions incurred from trading on that exchange.

ASX infers from the above announcements that BPG must be well advanced in the development of its cryptocurrency exchange.

ASX is aware that the Australian Securities and Investments Commission (“ASIC”) has advised another ASX listed entity intending to undertake an initial coin offering that its token is an interest in a managed investment scheme and consequently must comply with chapters 5D and 7 of the Corporations Act if it is offered to Australian investors.

Having regard to the above, ASX asks BPG under Listing Rule 18.7 to respond separately to each of the following questions and requests for information for the purposes of ASX being satisfied that BPG is in compliance with the Listing Rules:

1. When does BPG intend to offer the BPX Tokens to investors?
2. Please describe the current state of development of the offer documents for the BPX Tokens. For example, has BPG prepared a white paper or other offer document for the offer?
3. If BPG has prepared a white paper or other offer document for the offer of BPX Tokens, please provide a copy to ASX.
4. Does BPG intend to offer the BPX Tokens to investors in Australia?
5. If the answer to question 4 is “yes”, please explain what legal advice BPG has as to the status of the BPX Tokens under Australian law and what regulatory obligations it must meet before it offers the BPX Tokens to investors in Australia.
6. Does BPG intend to offer the BPX Tokens to investors in jurisdictions outside Australia?
7. If the answer to question 6 is “yes”, please disclose the jurisdiction or jurisdictions in question and, for each jurisdiction, please explain what legal advice BPG has as to the status of the BPX Tokens under the law of that jurisdiction and what regulatory obligations it must meet before it offers the BPX Tokens to investors in that jurisdiction.
8. In what jurisdiction or jurisdictions does BPG intend to operate its cryptocurrency exchange?
9. For each jurisdiction mentioned in the answer to question 8, please explain:
 - what legal advice BPG has as to the legality of the operation of its cryptocurrency exchange in that jurisdiction;
 - what regulatory obligations it must meet before it provides cryptocurrency exchange services in that jurisdiction;
 - BPG’s progress in meeting those regulatory obligations; and
 - what staff and facilities BPG has in that jurisdiction to enable it to provide cryptocurrency exchange services in that jurisdiction and to meet its regulatory obligations.
10. Please name the AFSL holder referenced in BPG’s announcement on 30 April 2018 and provide a copy of any agreement that BPG has entered into with that AFSL holder in relation to the operation of the cryptocurrency exchange or the offer of BPX Tokens.
11. Please explain the current state of development of BPG’s cryptocurrency exchange and when it is expected to be operational.
12. Please explain the process by which BPG’s cryptocurrency exchange will allow persons wishing to buy or sell cryptocurrency to enter into and settle those transactions (including the interfaces with banking facilities referenced in BPG’s 27 March 2018 announcement).
13. Please provide screen shots of the user interface for BPG’s cryptocurrency exchange.

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14. Please explain what BPG intends to do with the \$60 million proposed to be raised from subscribers to the BPX Tokens.
15. What commissions is BPG proposing to charge for buying and selling cryptocurrencies on its cryptocurrency exchange and what form will those commissions take – will they be payable in cash, by cryptocurrencies or a combination?
16. What discount on those commissions will holders of the BPX Tokens be entitled to?
17. Assuming a person subscribes for 100,000 BPX Tokens for a total subscription amount of US\$6,000:
- what value of cryptocurrency (in US dollars) will that person have to trade on BPG's cryptocurrency exchange in order to earn back (via their commission discounts) the amount paid to subscribe for the BPX Tokens in the first place; and
 - what net commissions will that person have to pay to BPG to trade that amount of cryptocurrency?

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 no later than half an hour before the start of trading (i.e. before 9.30 am AEDT) on **Friday, 10 August 2018**.

Your response should be sent by email to adrian.smythe@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow ASX to review your response to confirm that it is in a form appropriate for release to the market, before it is published on MAP.

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.

If you have any queries regarding any of the above, please contact us immediately.

Kind regards



Rupa Kapadia

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