

14th November 2018

STATEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

Legal status of Byte Power X Loyalty Tokens

On 19 July 2018, Byte Power Group Limited (**BPG**) announced that it intended to undertake a token generation event for the Byte Power X Loyalty Token (**BPX Tokens**). BPX Tokens are utility tokens relating to the loyalty program which provides a discount on commissions for users of the Byte Power X Cryptocurrency Exchange (**Exchange**).

On 5 September 2018, BPG released a statement to the market responding to various queries from the Australian Securities Exchange regarding the BPX Tokens. The statement, among other things, confirmed that BPG had received legal advice that:

- (a) the BPG Tokens are not financial products for the purposes of Chapter 7 of the *Corporations Act 2001* (Cth) (**Corporations Act**);
- (b) 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), or any other kind of financial product.

As at the date of this statement, BPG has sold 15,599,300 BPX Tokens to selected private investors in Singapore and Australia.

BPG has since become aware that the Australian Securities Investments Commission (**ASIC**) has concerns that the BPX Tokens may constitute interests in a managed investment scheme. BPG maintains the view (supported by its external legal advice) that the BPX Tokens are not interests in a managed investment scheme or any other type of financial product for the purposes of Chapter 7 of the Corporations Act.

However, if the BPX Tokens are determined to be interests in a managed investment scheme or any other type of financial product, BPG:

- (a) would be required to obtain an Australian Financial Services licence (**AFSL**) in respect of the issuing of the BPX Tokens and the operation of the Exchange; and

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- (b) would be subject to the regulatory and compliance requirements applying to managed investment schemes in Chapters 5C and 7 of the Corporations Act, including the requirements relating to the registration of a managed investment scheme.

In response to ASIC's concerns, BPG has at this stage:

- (a) suspended the offer of the BPX Tokens in Australia; and
- (b) sought further legal advice.

BPG will continue to liaise with ASIC with the aim of addressing its concerns about the legal status of the BPX Tokens.

Michael Wee
Company Secretary
Byte Power Group Limited