

16 August 2019

ASX Listings Compliance (Melbourne)
Attn: Principal Adviser, Mr Dean Litis
Level 4, North Tower, Rialto Towers
525 Collins Street, Melbourne VIC 3000

Dear Mr Litis,

Response to ASX query letter dated 14 August 2019

CCP Technologies Limited ("CCP" or "the Company") is pleased to provide its responses to the ASX queries received 14 August 2019 and set out below for convenience of reference to the Company's responses.

1. When did CT1 first become aware that Penta was not going to meet its obligation to deliver the 'top up' Penta tokens ('Top-Up Obligation') by the due date of 8 August 2019?

Under the Securities Subscription Agreement ("SSA") the "Top-up" obligation is triggered by a request from CCP to Penta Blockchain Global Foundation ("Penta") to provide the additional tokens. CCP had not issued that request and as such Penta was not yet under the obligation to provide the tokens.

A senior management officer from Penta advised during a call on 7 August 2019, that if a formal request was issued by CCP for additional tokens in accordance with the SSA, that Penta may request a time extension to provide the requisite tokens to CCP in respect to the SSA between the two companies. This informal advice did not constitute notice under the terms of the SSA. A call was arranged for 13 August 2019 with Penta's Chief Executive Officer to understand their position regarding the terms of the SSA and discuss how the two parties progress.

The timing of the call provided the Company with the time to consider the cost of capital in relation to receiving the tokens under the provisions of the SSA, or otherwise seeking agreement from Penta to terminate the SSA and cancel the securities to reduce the number of securities on issue.

As per the announcement released to the ASX titled "Penta Update" released 9 August 2019, the Company advised Penta that it would provide a two-week extension during which time the two parties could consider their position and reach agreement.

Based on the Director's view of the cost of capital considerations and the current capital requirements CCP determined that it would prefer to terminate the SSA, and cancel Penta's escrowed securities to reduce the number of securities on issue for the benefit of existing holders as per the ASX announcement dated 15 August 2019.

During the call with the Penta CEO on 13 August 2019 this position was agreed pending CCP board approval and the signing of an agreement between the two parties in accordance with the amendment clause provided for in the SSA.

2. What reason(s) did Penta give to CT1 as to why it would not be in a position to meet the Top-Up Obligation by the due date of 8 August 2019?

No formal written reason was provided for the indicative proposition for a time extension to provide the requisite additional tokens under the SSA. Given the inclination of CCP to cancel the agreement none was sought. Informally, CCP understands that based on the

conversations noted above with Penta, that Penta has the capacity to meet their obligations however due to their view of the current depressed valuation of their crypto assets relative to what they believe will be the future value of those assets they would prefer to hold those assets in expectation of having to dispose of a fewer number of tokens to satisfy their obligations.

CCP does not speculate on the future value of digital assets and would have sought to convert any tokens received to cash as soon as possible on receipt, such that if the market value of the tokens did improve over time, CCP would not have realised any benefit from the value appreciation. Furthermore, under the SSA, Penta solely bore the exposure to the market value the tokens as CCP was entitled to receive and dispose a sufficient number of tokens to realise the outstanding monies owed on Penta's escrowed securities.

3. Is CT1 aware of any reason to doubt the statement made in the 24 December 2018 Announcement mentioned in paragraph G above that:

'Penta have advised that they hold a sufficient quantity of PNT tokens to fulfil their obligations under the agreement. Additionally, Penta has advised that they hold Ethereum (ETH) that is also available to fulfil their obligations, subject to acceptance by the Company in lieu of PNT tokens.'

No. Until its termination by mutual agreement on 15 August 2019, the SSA is a legally binding agreement and Penta had reaffirmed their commitment to their obligations under the SSA on phone calls made prior to release of the announcement made on 24 December 2019, that it intended to fulfil its obligations under this agreement.

4. Please provide a copy of all correspondence (including emails) between CT1 and Penta regarding the Top-Up Obligation since 24 December 2018 (not for release to the market).

The Company will separately provide such communications to the ASX as requested.

5. Please confirm that CT1 is complying with the Listing Rules and, in particular, Listing Rule 3.1.

The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

6. Please confirm that CT1'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 CT1 with delegated authority from the board to respond to ASX on disclosure matters.

The Company's responses to the questions above have been authorised and approved by the Board of Directors.

Should you require any further information, please do not hesitate to contact me.

On behalf of the Board of CCP Technologies Limited

A handwritten signature in black ink, appearing to read 'Adam Gallagher'.

Adam Gallagher
Chief Executive Officer, Director and Joint Company Secretary



14 August 2019

Reference: ODIN05384

Mr Adam Gallagher
Chief Executive Officer, Director & Joint Company Secretary
CCP Technologies Limited
Level 7
420 Collins Street
Melbourne VIC 3000

By email

Dear Mr Gallagher

CCP Technologies Limited ('CT1'): Query letter

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

- A. The Securities Subscription Agreement between CT1 and Penta Global Blockchain Foundation Ltd ('Penta') dated 11 July 2018 (the 'Securities Subscription Agreement') previously provided to ASX.
- B. CT1's announcement titled 'CCP Technologies secures strategic placement' released on the ASX Market Announcements Platform ('MAP') on 17 July 2018, which included the following disclosures:
- i) [CT1] *'has received commitments from strategic investors to raise \$861,247 (before costs) by issue of 43,062,350 new ordinary shares at \$0.02 per share. Each subscriber in the placement will also receive a two-year unlisted option, for each share issued, with an exercise price of \$0.03, subject to shareholder approval at the Company's 2018 Annual General Meeting.'*
 - ii) *'The investment made by Penta Global Blockchain Foundation will be in the form of "Penta" tokens.'*
 - iii) Penta is *'a US\$500 Million market capitalised digital currency.'*
 - iv) **'Appendix 1 – Further key information on the Securities Subscription Agreement with Penta Global Block Chain Foundation Ltd**
 - *The amount invested by Penta Global Chain Foundation Ltd is A\$561,247 equivalent in Penta tokens that the Company is able to convert to cash in twelve equal monthly drawdowns ...*
 - *New shares issued to Penta Global will be subject to escrow on the same terms as Appendix 9A of the ASX Listing Rules and will be released pro-rata as each tranche of "Penta" tokens are sold by the Company.*
 - *Upon completion of the share issue, subject to customary governance checks, the Company shall appoint a person nominated by Penta Global as a new director to the Board ...'*
- C. ASX's query letter dated 13 July 2018 and CT1's response of 17 July 2018, which were released together on MAP on 17 July 2018, and included the following questions (in bold) and answers (emphasis added):

16. How has A\$561,247 'equivalent in Penta tokens been calculated?

The agreement has been structured so as to ensure that CT1 receives the number of Penta tokens necessary to receive the equivalent of A\$561,247 ...

CT1 shall sell the tokens on market. In the event that there are price decreases in the value of the tokens, Penta is obliged to deliver additional tokens to ensure that the total sum of \$561,247 is received by CT1.

17. How does CT1 convert these tokens to cash?

CT1 converts the tokens to cash by selling them in exchanges which trade such tokens. Penta tokens are very actively traded with last 30-day daily trading volume between \$1.1M and \$31M (medium daily volume of \$10.8M, average daily volume of \$12.2M). Penta is listed on 5 exchanges and across 9 trading pairs ...

18. How many tokens will CT1 receive? ...

CT1 has structured the placement so that on the 12-month post completion date any shortfall from the sale of the tokens will be compensated with additional Penta tokens to CT1.

Penta is currently holding 50% of all tokens currently valued at US\$162M and has capacity to provide the shortfall. Additionally, Penta shares will be escrowed and released every month only after the successful sale of Penta tokens.

In the Penta Securities Subscription Agreement, CT1 will receive exactly \$561,247 regardless of the Penta price. The adjustment mechanism will ensure CT1 is compensated with additional tokens in the event the Penta price falls below the completion date.

- D. CT1's announcement titled 'CCP Technologies completes strategic placement' and the attached Appendix 3B released on MAP on 8 August 2018, which disclosed that it had completed the placement detailed in paragraph B above.
- E. CT1's 2018 Annual Report released on MAP on 31 August 2018, which disclosed that Penta was CT1's fourth largest shareholder (and a substantial shareholder) with 28,062,350 shares equating to 7.12% of issued capital as at 28 August 2018 (see pages 70 and 71).
- F. CT1's Appendix 3B released on MAP on 11 December 2018 which disclosed that the options detailed in sub-paragraph B(i) above had been issued to the placement subscribers.
- G. CT1's announcement titled 'Update on Penta Tokens' released on MAP on 24 December 2018 (the '24 December 2018 Announcement'), which included the following statements (emphasis added):
- *'During the period from 8 August 2018 until today, the Company has fully disposed of the entire PNT balance for a total consideration of A\$97,804, representing an average selling price per PNT of A\$0.0011. Accordingly, the corresponding portion of shares have been released from escrow as notified on 5 September 2018 and 12 December 2018 ...*
 - *The Board of CCP have been in contact with Penta and received reassurance that an additional top-up as contractually agreed will take place on or around 8 August 2019, upon which the Company will further convert the additional PNT into cash to fund its working capital.*
 - *Penta have advised that they hold a sufficient quantity of PNT tokens to fulfil their obligations under the agreement. Additionally, Penta has advised that they hold Ethereum (ETH) that is also available to fulfil their obligations, subject to acceptance by the Company in lieu of PNT tokens.*
 - *Subject to any further updates by the Company, that may be required based on future movements in the cryptocurrency market and the resulting value of PNT and ETH, the Company hereby reconfirms the value of Penta's placement to remain unchanged at A\$561,247 and that the decline in PNT only represents a timing issue on when the Company can realise PNT into cash, however it does not affect the valuation of the contribution made by Penta.'*
- H. The pause in trading of CT1's securities at 1:27pm on 9 August 2019 which was imposed by ASX pending enquiries regarding Penta and the status of the Securities Subscription Agreement.

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- I. CT1's announcement titled 'Penta update' released on MAP at 4:05pm on 9 August 2019 providing an update regarding Penta and the status of the Securities Subscription Agreement, which included the following statements:

'Pursuant to the Securities Subscription Agreement, on 8 August 2019 Penta is obliged to deliver to CCP such number of Penta tokens as is necessary to make up the shortfall. As noted in the announcement 24 December 2018, Penta has also previously advised it would be able to fulfil its obligations through its holding of Ethereum tokens (ETH).

Penta has informally requested a time extension to deliver the top up tokens that it is required to provide to CCP in accordance with the Securities Subscription Agreement. The Board has agreed to a two week extension (to 22 August 2019) during which time it will consider its options noting that it is a term of the Securities Subscription Agreement that CCP can require Penta to sell back to CCP (for nil consideration) subject to shareholder approval, such number of shares as is required to compensate CCP for the failure of Penta to deliver the top up Penta tokens.

Separate to the above arrangements, Penta has reaffirmed their commitment as a commercial supporter of CCP and the two parties intend to jointly explore opportunities for CCP to gain new clients through introductions to Penta's international network.'

- J. Listing Rule 3.1, which requires a listed entity to immediately give ASX 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.

- K. 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.'

- L. 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.'

- M. 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.'

Questions and Request for Information

Having regard to the above, ASX asks CT1 to respond separately to each of the following questions and requests for information:

1. When did CT1 first become aware that Penta was not going to meet its obligation to deliver the 'top up' Penta tokens ('Top-Up Obligation') by the due date of 8 August 2019?
2. What reason(s) did Penta give to CT1 as to why it would not be in a position to meet the Top-Up Obligation by the due date of 8 August 2019?
3. Is CT1 aware of any reason to doubt the statement made in the 24 December 2018 Announcement mentioned in paragraph G above that:

'Penta have advised that they hold a sufficient quantity of PNT tokens to fulfil their obligations under the agreement. Additionally, Penta has advised that they hold Ethereum (ETH) that is also available to fulfil their obligations, subject to acceptance by the Company in lieu of PNT tokens.'

4. Please provide a copy of all correspondence (including emails) between CT1 and Penta regarding the Top-Up Obligation since 24 December 2018 (not for release to the market).
5. Please confirm that CT1 is complying with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that CT1'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 CT1 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 Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 am AEST on Friday, 16 August 2019**.

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, CT1'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 and may require CT1 to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

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. 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 CT1'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 CT1'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.

Enquiries

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

Yours sincerely

Dean Litis

Principal Adviser, Listings Compliance (Melbourne)