SEFtoken, Inc.

USD 125,000,000
SEFtoken/Covered Warrants over
Shares in Mercari Pty Limited
To be acquired pursuant to the
Security Token Purchase Agreement

This Memorandum Offering (the "Memorandum") has been prepared by SEFtoken, Inc. (the "Issuer"), a Delaware corporation, for use by certain qualified potential purchasers (the "Purchasers") to whom the Issuer is offering (the "Offering") the opportunity to purchase covered warrants over shares in Mercari Pty Limited (the "Securities") in the form of Ethereum ERC-20 tokens (the "SEFtokens"), which are smart contracts to be issued on the Ethereum blockchain network, each of which shall represent the right to convert SEFtokens for fully paid Ordinary Shares (the "Shares") in Mercari Pty Limited ("Mercari") a company registered in the Commonwealth of Australia. Mercari holds an Australian Market Licence (the "Market Licence").

The SEFtoken will be sold at a price of USD 1.00 per SEFtoken, and each SEFtoken will be convertible into Shares. No exercise price will be required to be paid to convert the SEFtoken for Shares.

The Issuer will use its commercially reasonable efforts to develop and issue the SEFtokens 21 days after the closing of the Offering (the "Issuance Date"). The foregoing agreement to purchase SEFtokens will be embodied in, and documented by, a Security Token Purchase Agreement with respect to the SEFtokens (as may be amended, restated and/or otherwise modified from time to time and, together with the SEFtokens, to be entered into between the Issuer and qualified purchasers purchasing such SEFtokens in the Offering (the "STPA"). The Issuer expects to enter into STPAs on an ongoing basis until on or before April 30, 2019 or the day after the Maximum Amount is subscribed, whichever is the earlier (as the same may be extended or earlier terminated, the "End Date"). The Issuer may issue up to USD 125 million in SEFtokens.

The foregoing right to purchase SEFtokens and the entitlement to convert SEFtokens for Shares will be embodied in, and documented by, the Smart Contract Governing Terms and Conditions, Annexure A to the STPA (the "Smart Contract").

The SEFtokens have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. Accordingly, the Securities are being offered and sold only to "accredited investors" (as defined in Rule 501 of Regulation D under the Securities Act) in compliance with Rule 506(c) of Regulation D under the Securities Act.

None of the Securities and Exchange Commission (the "SEC"), any state securities commission, any foreign securities authority or any other federal, state or foreign regulatory authority has approved or disapproved of these SEFtokens or determined if this Memorandum is truthful or complete. Investing in the SEFtokens involves a high degree of risk. Purchasers should carefully consider the risks summarized under "Risk Factors" of this Memorandum for a discussion of important factors to be considered before purchasing SEFtokens. An investment in this Offering is highly speculative, and purchasers should only invest if they are prepared to lose their entire investment. Unless the context requires otherwise, all dollar ($) amounts set forth herein refer to U.S. dollars ("USD").

The information contained on the Issuer's website is not incorporated by reference into this Memorandum, and purchasers should not consider information contained on the website to be part of this Memorandum.

NOTICES

THIS SECURITY (THE "**STPA**"), AND ANY SEFTOKENS WHEN ISSUED PURSUANT TO IT (THE "***SEFTOKENS***"), HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY, NOR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES. EACH HOLDER OF THIS SECURITY AND SEFTOKEN, BY ITS ACCEPTANCE HEREOF REPRESENTS THAT (A) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) OR (B) IT IS NOT A "U.S. PERSON" AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH ACQUISITION IS MADE.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

FOR REGULATION D ONLY
THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE "**HOLDING PERIOD**"), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER'S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION.

A "**COMPLIANT REGULATION S SALE**" MEANS A SALE, FOLLOWING THE ESTABLISHMENT BY THE ISSUER OF A SUFFICIENT PROCESS TO VERIFY THE IDENTITY OF SUBSEQUENT HOLDERS IN ORDER TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS FOR DIVIDEND PAYMENTS (IF APPLICABLE) AND COMPLIANCE WITH APPLICABLE LAW (*E.G.,* THROUGH THE APPOINTMENT OF AN SEC-REGISTERED TRANSFER AGENT) AND NOTICE TO HOLDERS THEREOF AND OF ALL APPLICABLE CONDITIONS, (1) TO A PERSON WHO IS NOT A "U.S. PERSON" THAT OCCURS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH ALL OF THE REQUIREMENTS OF REGULATION S AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH SALE IN THE JURISDICTION IN WHICH SUCH SALE AND PURCHASE IS MADE AND (2) FOR WHICH SELLER HAS A REASONABLE BELIEF THAT EACH PERSON TO WHOM THE SEFTOKEN IS TRANSFERRED WILL BE PRESENTED WITH NOTICE SUBSTANTIALLY SIMILAR TO THE "**REGULATION S LEGEND**" AND WILL HAVE AFFIRMATIVELY SIGNALED HIS, HER OR ITS UNDERSTANDING; *PROVIDED*, THAT THE ISSUER AND THE TRANSFER AGENT, IF ANY, WITH RESPECT TO THIS SEFTOKEN SHALL HAVE THE RIGHT PRIOR TO PERMITTING ANY SUCH COMPLIANT REGULATION S SALE OCCURRING PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AS TO THE COMPLIANCE OF SUCH COMPLIANT REGULATION S SALE WITH ALL APPLICABLE SECURITIES LAWS.

IN ADDITION, AND INCLUDING FOLLOWING THE HOLDING PERIOD, ANY AFFILIATE OF THE ISSUER (OR PERSON WHO HAS BEEN AN AFFILIATE OF THE ISSUER WITHIN THE IMMEDIATELY PRECEDING THREE MONTHS) SHALL OFFER, SELL OR OTHERWISE TRANSFER SEFTOKENS ONLY (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (III) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (INCLUDING IN ACCORDANCE WITH RULE 144, IF AVAILABLE), SUBJECT IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION. IN ADDITION, THE ISSUER WILL REQUIRE, PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (III), THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND THE ISSUER'S TRANSFER AGENT, IF ANY.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

A "COMPLIANT REGULATION S SALE" IS RELIANT ON RULE 905 REGULATION S UNDER THE SECURITIES ACT:

> §230.905 RESALE LIMITATIONS.
> EQUITY SECURITIES OF DOMESTIC ISSUERS ACQUIRED FROM THE ISSUER, A DISTRIBUTOR, OR ANY OF THEIR RESPECTIVE AFFILIATES IN A TRANSACTION SUBJECT TO THE CONDITIONS OF §230.901 OR §230.903 ARE DEEMED TO BE "RESTRICTED SECURITIES" AS DEFINED IN §230.144. RESALES OF ANY OF SUCH RESTRICTED SECURITIES BY THE OFFSHORE PURCHASER MUST BE MADE IN ACCORDANCE WITH THIS REGULATION S (§230.901 THROUGH §230.905, AND PRELIMINARY NOTES), THE REGISTRATION REQUIREMENTS OF THE ACT OR AN EXEMPTION THEREFROM. ANY "RESTRICTED SECURITIES," AS DEFINED IN §230.144, THAT ARE EQUITY SECURITIES OF A DOMESTIC ISSUER WILL CONTINUE TO BE DEEMED TO BE RESTRICTED SECURITIES, NOTWITHSTANDING THAT THEY WERE ACQUIRED IN A RESALE TRANSACTION MADE PURSUANT TO §230.901 OR §230.904.

FOR REGULATION S ONLY
*(THE "**REGULATION S LEGEND**")*
THE SEFTOKENS WHEN ISSUED WILL BE ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. EXCEPT AS SET FORTH BELOW, THE SEFTOKENS SHALL NOT BE CONVERTIBLE FOR SEFTOKENS THAT ARE NOT SUBJECT TO A LEGEND CONTAINING RESTRICTIONS ON TRANSFER UNTIL THE EXPIRATION OF THE APPLICABLE ONE-YEAR "**DISTRIBUTION COMPLIANCE PERIOD**" (WITHIN THE MEANING OF REGULATION S) AND THEN ONLY UPON CERTIFICATION IN A FORM REASONABLY SATISFACTORY TO THE ISSUER AND ITS TRANSFER AGENT, IF ANY, THAT SUCH SEFTOKENS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE "**HOLDING PERIOD**"), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER'S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE, OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

Table of Contents

IMPORTANT INFORMATION FOR POTENTIAL PURCHASERS 6
FORWARD LOOKING STATEMENTS 7
THE ISSUER AND MERCARI OVERVIEW 10
The Issuer 10
Issuer Intends to Engage Authorized Market Makers 11
Cross Currency Exposure 11
Mercari Pty Limited 11
Background - Australian regulatory landscape 11
Licence Application process 12
Obligations under Chapter 7 of the Corporations Act for Market Licence Holder 13
Australian Financial Services Licence (AFSL) 13
Application process for AFSL 14
Obligations under Chapter 7 of the Corporations Act for AFSL 14
Australian Financial Regulatory Jurisdiction 14
Historical & Existing Operations 15
Mercari Business Plan: Three Foci 16
Innovation of Traditional Markets: Mercari DLT Execution System 16
Tokenized Securities Trading: Pathway to Asia through Regulatory Regime 16
Strategic Regulated Market Infrastructure Joint Ventures 18
The Issuer and Mercari 18
Initial Launch of the SEFtokens 19
Potential Future Competitive Landscape 20
Timing 20
Legal Matters 20
Overview of Transfer Restrictions included in this Memorandum 20
For U.S. Purchasers 21
For Non-US Purchasers 21
STRUCTURE & TERMS OF THE SECURITIES 22
RISK FACTORS 26
Regulatory Risk 26
DLT, SEFtoken & Tokenized Securities Market Risks 28
Mercari Operational Risks 32
USE OF PROCEEDS 40
DIRECTORS AND MANAGEMENT OF THE ISSUER 41
Directors and Management Experience 41
Issuer Directors & Management Compensation 42
Carried Interest 42
Declared Interests 43
PLAN OF DISTRIBUTION 44
STPA Purchaser Qualifications 44
Other Requirements 44
Selling Agents and Expenses 44
The USA PATRIOT Act 44

What is money laundering? 44
How big is the problem and why is it important? 44
How to Subscribe 45
The SEFtoken Issuance 46
Issuance of Additional SEFtokens to Existing Mercari Shareholders 46
NOTICE TO PURCHASERS 47
Selling Restrictions 52
CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS 66
Schedule 1 – Liquidity Event Entitlement 69
Schedule 2 – Rate of Conversion 70
Index to Annexures 71

IMPORTANT INFORMATION FOR POTENTIAL PURCHASERS

This Memorandum is directed only to accredited investors herein referred to as “qualified potential purchasers”, “qualified purchasers” or “purchasers” as the case may be, to whom it is made available or delivered by, or on behalf of, the Issuer, and it has been prepared solely for use by prospective purchasers of the Securities. Any reproduction or distribution of this Memorandum, in whole or in part, or the disclosure of its contents, without the prior written consent of the Issuer, is prohibited. By accepting this Memorandum, the Purchaser agrees to use this Memorandum and its contents solely in connection with the Purchaser’s evaluation of a potential investment in the SEFtokens. Any other use of this Memorandum is prohibited.

Holder means an entity that is issued a SEFtoken and/or retains property in the SEFtoken at any given time and has the key, and/or other sufficient acceptable proof, to the SEFtoken.

To purchase SEFtokens, each participating qualified purchaser is required to execute its own STPA. This Memorandum contains a summary of the material terms of the SEFtokens. However, the summary of the SEFtokens in this Memorandum does not purport to be complete and is subject to and qualified in its entirety by reference (i) in the case of the STPA, to the actual text of the STPA to be executed by each qualified purchaser and (ii) in the case of the SEFtokens, to the material terms and conditions of which are found in the Smart Contract. If any of the provisions of the SEFtoken are inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the STPA and the Smart Contract will control.

The Issuer reserves the right in its sole discretion to reject any commitment in whole or in part by not executing a STPA. In the event that the Offering is terminated or withdrawn, all funds received in connection with the Offering will be promptly returned to the respective potential purchasers according to the payment procedures contained in Payment Procedures, Annexure B to the STPA (the “Payment Procedures”). Prior to the End Date, the Issuer reserves the right to modify the terms of the Offering and the SEFtoken described in this Memorandum at its sole discretion. If the Issuer amends the terms of the Offering in any material respect, it will provide potential purchasers that have previously funded their commitment at least 3 business days to withdraw from the Offering. Upon any such withdrawal by a purchaser, such withdrawing purchaser’s STPA will terminate and all funds received in connection with the Offering from such purchaser will be promptly returned to such purchaser without interest. Such refund will be made in USD without interest, in accordance with the Payment Procedures. For example, a purchaser who funded 100 BTC will be refunded the amount notified to Purchaser as the USD converted amount as set out in the Payment Procedures.

THE ISSUANCE OF THE SEFTOKENS, IF ANY, WILL BE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PURSUANT TO RULE 506(C) OF REGULATION D UNDER THE SECURITIES ACT OR ANOTHER AVAILABLE EXEMPTION.

THE ISSUER WILL NOT BE REGISTERED AS AN INVESTMENT COMPANY UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). CONSEQUENTLY, PURCHASERS ARE ADVISED THAT THEY WILL NOT BE AFFORDED ANY OF THE PROTECTIONS OF THE INVESTMENT COMPANY ACT.

THE SEFTOKENS DESCRIBED IN THIS MEMORANDUM ARE SUBJECT TO LEGAL AND CONTRACTUAL RESTRICTIONS ON TRANSFERABILITY AND RESALE. FOR MORE INFORMATION ON SUCH RESTRICTIONS, PLEASE SEE THE SECTION TITLED “NOTICE TO PURCHASERS.”

NO ACTION MAY BE TAKEN IN ANY JURISDICTION THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES OR THE POSSESSION, CIRCULATION OR DISTRIBUTION OF THIS MEMORANDUM IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. ACCORDINGLY, SEFTOKENS MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS MEMORANDUM NOR ANY OTHER OFFERING MATERIAL OR ADVERTISEMENTS IN CONNECTION WITH SEFTOKENS MAY BE DISTRIBUTED OR PUBLISHED IN OR FROM ANY COUNTRY OR JURISDICTION EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE RULES AND REGULATIONS OF ANY SUCH COUNTRY OR JURISDICTION.

THIS MEMORANDUM IS NOT A PROSPECTUS AND DOES NOT PURPORT TO CONTAIN ALL INFORMATION A PURCHASER MAY REQUIRE TO FORM A PURCHASE DECISION. IT IS NOT INTENDED TO BE RELIED UPON SOLELY IN RELATION TO, AND MUST NOT BE TAKEN SOLELY AS THE BASIS FOR, A PURCHASE DECISION. QUALIFIED PROSPECTIVE PURCHASERS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, INVESTMENT, TAX OR OTHER ADVICE. EACH QUALIFIED PROSPECTIVE PURCHASERS MUST RELY UPON HIS OR HER OWN REPRESENTATIVES, INCLUDING HIS OR HER OWN LEGAL COUNSEL AND ACCOUNTANTS, AS TO LEGAL, ECONOMIC, TAX AND RELATED ASPECTS OF THE PURCHASE DESCRIBED HEREIN AND AS TO ITS SUITABILITY FOR SUCH PURCHASER.

A purchase of SEFtokens involves a high degree of risk, volatility and illiquidity. A prospective purchaser should thoroughly review the information contained herein and the terms of the SEFtoken and carefully consider whether an investment in the SEFtoken is suitable to the purchaser’s financial situation and goals. Purchasers should be aware that they will be required to

bear the financial risks of this investment for an indefinite period of time and should be prepared to lose the full amount of their investment.

No person has been authorized to make any statement concerning the Issuer or the sale of the SEFtokens discussed herein other than as set forth in this Memorandum, and any such statements, if made, must not be relied upon as having been authorized by the Issuer. Moreover, purchasers are advised that they should rely solely on the information contained in this Memorandum in considering whether to invest in the SEFtokens. The Issuer takes no responsibility for, and can provide no assurance as to the reliability of, any information that has been provided to potential purchasers outside of this Memorandum.

Purchasers should make their own investigations and evaluations of the SEFtokens, including the merits and risks involved in an investment therein. Prior to any investment, the Issuer will give purchasers the opportunity to ask questions of, and receive answers and additional information from, the Issuer concerning the provisions of this Offering, the SEFtoken and other relevant matters, to the extent the Issuer possesses the same or can acquire it without unreasonable effort or expense. Purchasers should inform themselves as to the legal requirements applicable to them in respect of the acquisition, holding and disposition of the SEFtokens, and as to the income and other tax consequences to them of such acquisition, holding and disposition.

This Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any SEFtoken in any jurisdiction in which it is unlawful to make such an offer or solicitation. Each prospective purchaser must comply with all applicable laws and regulations in force in any jurisdiction in which it receives, purchases, offers or sells the SEFtoken and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the SEFtoken under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales. The Issuer will not have any responsibility in connection with obtaining, or failing to obtain, any such consents, approvals or permissions. The Issuer is not making any representation to any purchaser regarding the legality of a purchase of SEFtokens by such purchaser.

By their participation in the Offering, purchasers will be deemed to have agreed that their participation will constitute their representation, warranty, acknowledgement and agreement to all of the statements about purchasers under the section titled “Notice to Purchasers.” Potential purchasers should carefully read that section of this Memorandum.

Prospective purchasers are not to construe this Memorandum as investment, legal, tax, regulatory, financial, accounting or other advice, and this Memorandum is not intended to provide the sole basis for any evaluation of an investment in the SEFtoken. Prior to entering into a STPA, a prospective purchaser should consult with its own legal, investment, tax, accounting, and other advisors to determine the potential benefits, burdens, and other consequences of a purchase of SEFtokens.

Purchasers of the SEFtoken acknowledge that Mercari is not the issuer of the SEFtokens and acknowledge that Mercari has entered into a Share Issue & Subscription Agreement (the “SISA”), which is attached as Annexure A, with the Issuer so that the Issuer may issue covered warrants over Shares it owns.

Amounts referenced in the STPA are denominated in USD and purchasers may tender the purchase price payable in connection with the execution of a STPA in USD, bitcoin or Ethereum. Payments in bitcoin or Ethereum will be exchanged into USD according to the Payment Procedures. Such currencies are subject to fluctuations in the rate of exchange and, in the case of tokenized securities, the exchange valuations. Such fluctuations may have an adverse effect on the number of tokens to be received, as calculated pursuant to the Payment Procedures, as well as the value, price or income of a purchaser’s investment.

FORWARD LOOKING STATEMENTS

Some of the statements in this Memorandum constitute forward-looking statements. These statements relate to future events or future financial performance, plans and objectives. In some cases, purchasers can identify forward-looking statements by terminology such as “proposed,” “yet,” “assuming,” “may,” “should,” “expect,” “intend,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “will,” and similar words or phrases or the negative or other variations thereof or comparable terminology. All forward-looking statements are predictions or projections and involve known and unknown risks, estimates, assumptions, uncertainties and other factors that may cause actual transactions, results, performance, achievements and outcomes to differ adversely from those expressed or implied by such forward-looking statements.

Purchasers should not place undue reliance on forward-looking statements. The cautionary statements set forth in this Memorandum, including in “Risk Factors” and elsewhere, identify important factors that purchasers should consider in evaluating the Issuer’s forward-looking statements. These factors include, among other things, the following matters.

Regulatory Risk

- SEFtokens will be subject to extensive legal and contractual transfer restrictions to comply with regulatory obligations.
- Mercari’s proposed expansion of its existing proprietary technology and market infrastructure (“Financial Market Infrastructure or FMI”) to facilitate a DLT-enabled system to instantly eliminate counter party risk and provide instant transfer of property and title for its existing approved financial products (the “Mercari DLT Execution System”) will require regulatory approval.

- Mercari's proposed expansion of its FMI to operate a Tokenized Securities Market using DLT for the clearing of tokenized securities (the "Mercari Tokenized Securities Market") will require regulatory approval.
- The tax treatment of the SEFtoken is complex and there may be adverse tax consequences for purchasers upon certain future events.
- The potential application of U.S. laws regarding investment securities to SEFtokens is complex.
- The SEFtokens may be subject to registration under the Securities Exchange Act if the Issuer has assets above $10 million and more than 2,000 purchasers participate in the Offering, which may increase the Issuer's costs and require substantial attention from management.
- There is uncertainty as to what regulatory regime will apply to the SEFtokens.
- The SEFtokens are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation ("FDIC") or Securities Investor Protection Corporation ("SIPC") protections.
- The regulatory regime governing DLT, cryptocurrencies, tokenized securities, and offerings of tokenized securities such as the SEFtokens, is complex, and new regulations or policies may materially adversely affect the development and the value of the SEFtokens and the underlying Mercari business.
- When a Holder converts SEFtoken into Shares, the regulatory regime in force at that time may not allow Shares to be part of a DLT and Shares may have to be issued to Holders in paper or allowable electronic form.
- Other Governmental factors.

DLT & Tokenized Securities Market Risks

- At Issuance Date, there may be no trading market for tokenized securities, including the SEFtokens, as designated by the Issuer on which Holders of SEFtokens may transfer or resell their SEFtokens (the "Designated Exchange") and a trading market may never develop.
- The proposed Mercari Tokenized Securities Market or any other Designated Exchange may be vulnerable to hackers and cyber-attacks.
- If the SEFtokens ever become transferable, SEFtoken transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.
- The nature of the SEFtokens means that any technological difficulties experienced by any Designated Exchange, the Ethereum network, or other services such as crypto-wallets may prevent the access or use of a purchaser's SEFtokens.
- The Issuer engaged market makers may not always meet Holder price expectations while developing a trading market in the SEFtokens.
- Only certain persons and entities are able to acquire SEFtokens.
- The further development and acceptance of DLT-enabled networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of DLT-enabled networks and assets would have an adverse material effect on the successful development and adoption of the SEFtokens.
- The prices of tokenized securities are potentially volatile. Fluctuations in the price of tokenized securities could materially and adversely affect Mercari's business, and the SEFtokens may also be subject to significant price volatility.
- Once issued, secondary purchases and sales of SEFtokens may be limited by State Blue Sky laws, which may limit the formation of an active secondary market or prevent the formation of an active secondary market.
- Holders face the risk of unauthorized access to their crypto-wallet and may lose access to their SEFtokens if they lose their crypto-wallet private key or password.
- The Ethereum blockchain upon which the Issuer intends to base SEFtokens is subject to the risk of mining attacks.

Mercari Operational Risks

- Mercari may not successfully further develop and obtain regulatory approval for Mercari's FMI to incorporate a DLT-enabled system to facilitate the Mercari DLT Execution System.
- Mercari may not successfully further develop and obtain regulatory approval for Mercari's FMI to include the Mercari Tokenized Securities Market.
- SEFtokens are not Shares and hold no rights to voting with the Issuer or Mercari.
- Mercari's proposed expansion of its FMI is dependent on continued investment in and development of distributed ledger technologies and other technologies to allow for real time clearing and settlement of trades of currently regulated and approved financial products and tokenized securities.
- Mercari intends to use the funds paid by the Issuer to Mercari for the issue of Shares (the "Share Subscription Consideration") to further develop Mercari FMI and there is a risk that competitors may develop and launch alternative blockchain based securities networks prior to the completion and launch of the tokenized security offering.
- Mercari's proposed innovation of its FMI is in the development stage and some concepts are new and untested concepts and may not achieve market or regulatory acceptance.
- While Mercari has an existing functional marketplace for approved and regulated financial products, the tokenized securities and assets markets in which Mercari intend to compete is subject to rapid innovation and change and there is a risk that changes or innovations in the tokenized securities and assets markets may occur while Mercari is continuing development of the Mercari proprietary technology which could render the proposed business in tokenized securities and assets markets model and technology obsolete.
- Mercari expects to face significant competition.

- In order for Mercari to implement the expansion of the current Mercari proprietary technology to incorporate T+0 clearing and settlement, Mercari must expand its existing development teams and identify, recruit, retain and develop the necessary personnel who have the needed technological background and experience.
- Mercari has not identified all the persons that it will need to engage to provide services and functions critical to the expansion of its proprietary technology and no assurance can be given that it will be able to engage the necessary persons on acceptable terms, if at all.
- There is no assurance that Purchasers of the SEFtokens will receive a return on their investment.
- Mercari's management will have broad discretion over the use of the Share Subscription Consideration.
- Purchasers may lack information for monitoring their investment.
- The SEFtokens have no price history.
- Strategic regulated market infrastructure joint ventures may be in newly formed ventures.
- Mercari does not expect to pay any dividends for some time into the future.
- The SEFtokens are covered warrants over Shares and therefore they are securities but they are not equity securities.
- Mercari's business focus will expand to incorporate DLT and asset tokenization which makes it hard to evaluate its ability to generate revenue through its expanded operations.
- There is no assurance that Mercari will be able to continue as a going concern.
- Dividends, if announced pursuant to the terms of the Shares, may detract from the capital Mercari could otherwise deploy to improve its business.
- The further development and operation of the existing Mercari FMI requires, and any additional functionality for the FMI that may be developed in the future will likely require, technology and intellectual property rights.
- A violation of privacy or data protection laws could have a material adverse effect on the Issuer and/or Mercari and the value of the SEFtoken.
- Mercari's business is subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, technology, data protection, and other matters.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future plans, transactions, results, performance, achievements or outcomes. No assurance can be made to any purchaser by anyone that the expectations reflected in our forward-looking statements will be attained or that deviations from them will not be material and adverse. The Issuer undertakes no obligation, other than as may be required by law, to re-issue this Memorandum or otherwise make public statements in order to update its forward-looking statements beyond the date of this Memorandum.

THIS OFFERING IS LIMITED SOLELY TO ACCREDITED INVESTORS (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) AND IN OFFSHORE TRANSACTIONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) TO NON-U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) WHO ARE NOT PURCHASING FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON. ONLY PERSONS OF ADEQUATE FINANCIAL MEANS WHO HAVE NO NEED FOR LIQUIDITY WITH RESPECT TO THIS INVESTMENT SHOULD CONSIDER PURCHASING THE SEFTOKENS OFFERED HEREBY PURSUANT TO A STPA BECAUSE: (I) AN INVESTMENT IN SEFTOKENS INVOLVES A NUMBER OF SIGNIFICANT RISKS (SEE "RISK FACTORS"); (II) THE SEFTOKENS MAY NEVER BE ISSUED; AND (III) NO MARKET FOR THE SEFTOKENS EXISTS, AND A MARKET FOR THE SEFTOKENS MAY NEVER DEVELOP.

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THE ISSUER AND MERCARI OVERVIEW

The following overview highlights selected information contained in this Memorandum. This summary is not complete and does not contain all the information that purchasers should consider before deciding whether to purchase SEFtokens. Purchasers should carefully read the entire Memorandum, including the risks associated with a purchase of the Issuer's SEFtokens discussed in the "Risk Factors" section of this Memorandum.

The Issuer

On December 6, 2018, the Issuer issued a Whitepaper (the "Whitepaper") describing its history, business goals and certain aspects of the SEFtokens and the Whitepaper is not incorporated by reference into this Memorandum.

The Issuer is a recently incorporated Delaware corporation and plans to issue SEFtokens so that it may subscribe to ordinary shares in Mercari pursuant to the SISA. The assets of the Issuer will include issued fully paid ordinary shares in Mercari that it will own free of any encumbrance and the Issuer will have unfettered authority to deal with the Shares in accordance with the terms of the Offering. The final structure of the Issuer's fully diluted shareholding in Mercari will be dependent on the proceeds raised from the sale of SEFtokens.

To subscribe in the Shares, the Issuer will pay to Mercari, the Share Subscription Consideration in accordance with the SISA.

The registered office of the Issuer is located at 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex, United States and phone no: +1 (302) 703-7253. Its website is www.seftoken.io.

Use of Funds

The business plan of the Issuer is to receive proceeds from the sale of SEFtokens from purchasers and use the proceeds in accordance with the Use of Proceeds section. The primary use of proceeds is to subscribe for the Shares in accordance with the SISA. A portion of the proceeds will be used to pay for costs associated with the Offering and also for the corporate maintenance of the Issuer for the entire lifecycle of the SEFtokens as set out in the Use of Proceeds section.

Share Subscription by Issuer

In order to be assured that the Issuer is able to subscribe for the Shares, the Issuer has entered into an exclusive SISA with Mercari. Under the SISA, Mercari has granted the Issuer rights to subscribe to a maximum of 47% of the fully-diluted shareholding of Mercari post-subscription. The number of shares and the share price will be determined in accordance with the SISA. The Issuer, under this Memorandum, is inviting expressions of interests from Purchasers to purchase SEFtokens at a price of USD 1.00 per SEFtoken. The SEFtokens will be smart contracts to be issued on the Ethereum blockchain network, each of which will represent the exercisable right to convert one (1) SEFtoken for Shares within the terms of the SEFtoken/warrant (see Structure & Terms of the Securities being Offered).

Anti-Dilution Protection for SEFtoken Holders

As part of the SISA, the Issuer has successfully negotiated anti-dilution mechanisms to ensure that if Mercari issues more shares, other than a capital raise for valuable consideration above the Share subscription price, within seven (7) years from the Subscription Date, the Issuer will be automatically issued more Shares to re-adjust its shareholding to the fully diluted holding percentage that it was granted upon subscription. This benefit directly flows on to the Holders. All Holders, whether the initial Purchasers or subsequent Holders are guaranteed that for just under seven (7) years, their shareholding cannot be diluted other than in connection with a capital raise for valuable consideration above the Share subscription price.

Tokenization of Covered Warrants

The Shares are issued as fully paid ordinary shares in an Australian corporate entity (Mercari) and not a U.S. entity. While the regulatory framework in Australia is evolving with respect to tokenized securities, current Australian securities law does not permit for the tokenization of securities and consequent trading of security tokens. The transaction structure proposed by the Issuer and Mercari ensures compliance with both Australian and U.S. corporations and securities laws. This is the reason why the Issuer will own the Shares and then issue covered warrants against the Shares that are the Issuer's property, thus in compliance with both Australian and U.S. securities law. SEFtoken purchasers will be able, within the terms of the Smart Contract, to exercise their right to present the SEFtokens to the Issuer and the Issuer will convert the SEFtoken into Shares (see Structure & Terms of the Securities being Offered).

The Issuer will be responsible for maintaining all records with respect to Purchasers and will maintain an office for the administration of the process of keeping Holders informed of Mercari's business and corporate activities. This may include making disclosures on its website and sending information directly to Holders through its systems. It has engaged the services of Securitize, Inc. ("Securitize") to assist in this process. The Issuer will also be responsible for administering the process of conversion.

The process of converting SEFtokens to Shares will be conducted in accordance with Australian securities law and will be published on the Issuer's corporate website prior to the first possible conversion date of the warrants encoded into the SEFtokens.

Mercari is an Australian limited liability company with a share capital structure, regulated under the *Corporations Act* 2001 (the "Corporations Act"). Pursuant to the Corporations Act, Mercari is obligated to maintain a registry of members (shareholders) with names and addresses and date of first entry as a member, as well as information on the shares including allotment, number of shares per allotment, class of shares, amount paid/unpaid. The registry can be in an electronic form albeit with the proviso that it can be provided on request "as a delimited text file produced by a commercially available spreadsheet or database application and copied onto a CD-ROM or a USB portable memory device".

In Australia, a company must ensure that each share in a company is distinguished by an appropriate number or are issued a certificate each distinguished by an appropriate number, unless the operating rules of the clearing and settlement facility provides otherwise for the purpose of transferring a share. The importance of these regulations lie in the recognition of the provisions as governing the admissibility as evidence in any litigation.

The challenges are to translate the requirements under the Corporations Act to the tokenized securities model. As part of its continued development, the Issuer intends, together presumably with the rest of the industry, to encourage regulatory attention to ensure Australia's regulatory system remains internationally competitive in this changing landscape, as financial products move to tokenization.

The Issuer and Mercari will seek to encourage appropriate regulatory attention to ensure that once the tokenized warrants (SEFtokens) are converted by Holders into Shares, Mercari's share register may legitimately be maintained using dApps or "smart contracts" and DLT. Further, subject to regulatory approval, the Mercari Shares, now tokenized, will be able be traded on exchanges with appropriate regulatory approval to trade tokenized equity securities in comparable and compliant jurisdictions ("Designated Exchanges").

Further, SEFtoken purchases will only be permitted from jurisdictions that allow such investments under the structure proposed in the Offering (see Structure & Terms of the Securities being Offered).

Issuer Intends to Engage Authorized Market Makers

Most securities that are publicly traded globally may have one or more broker-dealers acting as "market makers" for the security. A market maker is a firm that stands ready to buy and sell the security on a regular and continuous basis at publicly quoted prices. Prior to a Designated Exchange being created or developed, the Issuer will sign a MOU with an experienced market maker firm to provide a regulatory permissible OTC trading market for SEFtokens where the Issuer has permitted transfers of SEFtokens to take place.

Upon a Designated Exchange being created or developed for the trading of SEFtokens, the Issuer will endeavor to engage market makers to the extent permitted by applicable law to provide market making services to ensure that SEFtokens may be traded. Please note that the market maker will be subject to lock up and holding periods, where applicable. There is no assurance, however, that there will be any market makers for the SEFtokens.

The Issuer sees the installation of a market maker as a valuable service to Holders of SEFtokens. While Purchasers should see this as a liquidity tool, they should be aware that market makers may determine the pricing within their own unpublished guidelines and the prices offered on SEFtokens may not match price and volume expectations of Holders.

Cross Currency Exposure

The warrants represent an exercisable right to acquire shares in Mercari. As Mercari is an Australian domiciled business, it is likely that the majority of any future revenue will be in Australian dollars and the bulk of its funds will be held in U.S. dollars. An investment in SEFtokens means the holder will have cross currency exposure to the Australian Dollar and therefore the risks associated with the relevant currency exposures.

Mercari Pty Limited

On May 31, 2005, Mercari was granted an Australian Market Licence. A copy of the Market Licence is at Annexure B. Mercari also holds an Australian Financial Services Licence (the "AFSL"). The details of the licences and the Australian regulatory requirements is detailed below.

Background - Australian regulatory landscape

Section 791A of the Corporations Act requires any person who operates or holds out that they operate a financial market in Australia to obtain a Market Licence.

A Market Licence must be granted by the Australian Government. The Minister for Financial Services and Superannuation (at the point in time) must sign off on the granting of any Market Licence.

The Australian Securities and Investments Commission ("ASIC") is Australia's corporate, markets and financial services regulator. ASIC is an independent Commonwealth of Australia Government body. ASIC is set up under and administers the *Australian Securities and Investments Commission Act* 2001, and carries out most of its work pursuant to the Corporations Act. ASIC is the regulator responsible for assessing all Market Licence applications and liaising with the Australian Government in relation to the granting of any Market Licence.

Licence Application process

Any entity that applies for a Market Licence is appropriately scrutinized by ASIC before the Market Licence is granted. The application process is long, and the application document alone can run to hundreds of pages.

Generally, the process to obtain a Market Licence may take anywhere from 12 months to 48 months with no certainty of success. ASIC Regulatory Guide 172 sets out the application process for Australian Market Licence applications. In order for any entity to be granted a Market Licence, it must be compliant with the requirements set out in the Corporations Act and ASIC Regulatory Guide 172.

Currently, there are only 5 Market Licenses for domestic futures/OTC markets operating in Australia in existence that have been granted by the Australian Government.

Some of these licenses are authorized only for professional market participants, some are restricted either by product class or distribution, others operate single product markets and others are restricted from operating markets for derivative products. Only two Market Licenses offer the opportunity for retail participants to trade derivative (futures) products.

Mercari holds the following Licences in Australia:

Entity	Licence	Detail
Mercari Pty Limited	Market Licence (dated 30 May 2005)	*Interest rate derivatives* One of three entities with a Market Licence in Australia authorizing it to operate a market for interest rate derivatives. *Foreign exchange derivatives* One of three entities with a Market Licence in Australia authorizing it to operate a market for foreign exchange derivatives *Commodity derivatives* One of three entities with a Market Licence in Australia authorizing it to operate a market for commodity derivatives *Energy derivatives* One of three entities with a Market Licence in Australia authorizing it to operate a market for energy derivatives *Environmental derivatives* One of three entities with a Market Licence in Australia authorizing it to operate a market for Environmental derivatives
Mercari Pty Limited	AFSL (dated 17 July 2003)	Provide advice and deal in relation to certain financial products

Mercari is licensed to operate the market called Mercari Direct. Mercari is licensed so that the classes of financial product that can be dealt with on Mercari Direct include:

(a) interest rate derivatives;
(b) foreign exchange derivatives;
(c) commodity derivatives;
(d) energy derivatives; and
(e) environmental derivatives.

Mercari Direct is conducted using Mercari's proprietary eSEF (electronic swaps execution facility) technology. As an Over The Counter ("OTC")/Swaps Execution Facility ("SEF") market platform, Mercari eSEF has been uniquely designed to meet the specialist requirements of OTC/SEF markets and dealers.

Obligations under Chapter 7 of the Corporations Act for Market Licence Holder

Section 792A sets out the general obligations of a market licensee. Those which are relevant to Mercari are as follows:

- (a) to the extent that it is reasonably practicable to do so, do all things necessary to ensure that the market is a fair, orderly and transparent market;
- (b) comply with the conditions on the licence;
- (c) have adequate arrangements (which may involve the appointment of an independent person or related entity) for operating the market, including arrangements for:
  - (i) handling conflicts between the commercial interests of the licensee and the need for the licensee to ensure that the market operates in the way mentioned in paragraph (a); and
  - (ii) monitoring and enforcing compliance with the market's operating rules;
- (d) have sufficient resources (including financial, technological and human resources) to operate the market properly;
- (e) if section 881A requires there to be compensation arrangements in relation to the market that are approved in accordance with Division 3 of Part 7.5 ensure that there are such approved compensation arrangements in relation to the market; and
- (f) take all reasonable steps to ensure that no disqualified individual becomes, or remains, involved in the licensee (see Division 2 of Part 7.4).

Other obligations under Chapter 7:

- (a) under section 792B, Mercari has an obligation to notify ASIC of certain matters, including:
  - (i) if it becomes aware that it may no longer be able to meet, or has breached, an obligation under section 792A;
  - (ii) if it provides a new class of financial service incidental to the operation of the market;
  - (iii) if it takes any kind of disciplinary action against a participant in the market;
  - (iv) if it has reason to suspect that a person has committed, is committing, or is about to commit a significant contravention of the market's operating rules;
  - (v) if it becomes aware of:
    - A. matter that the licensee considers has adversely affected, is adversely affecting, or may adversely affect the ability of a participant in the market, who is a financial services licensee, to meet the participant's obligations as a financial services licensee; or
    - B. a matter, concerning a participant in the market who is a financial services licensee, that is of a kind prescribed by regulations made for the purposes of this paragraph;
  - (vi) if the following occurs:
    - A. a person becomes or ceases to be a director, secretary or senior manager of a market licensee or of a holding company of a market licensee (including when a person changes from one of those positions to another);
- (b) under section 792C, if Mercari makes information about a listed disclosing entity available to participants in the market (whether or not Mercari also makes the information available to anyone else), Mercari must give ASIC the same information as soon as practicable;
- (c) under section 792D Mercari must give such assistance to ASIC, or a person authorized by ASIC, as ASIC or the authorized person reasonably requests in relation to the performance of ASIC's functions;
- (d) under section 792E Mercari must give a person authorized by ASIC such reasonable access to the market's facilities as the person requests for any of the purposes of Chapter 7;
- (e) under section 792F Mercari must, within 3 months after the end of its financial year, give ASIC an annual report on the extent to which the licensee complied with its obligations as a market licensee under Chapter 7. This annual report must be accompanied by any information and statements prescribed by relevant regulations, be accompanied by any audit report that the Minister requires under subsection section 792E(4);
- (f) under section 792G Mercari has an obligation to notify people about clearing and settlement arrangements in certain circumstances;
- (g) under section 792I Mercari must take reasonable steps to ensure that information about the compensation arrangements that are in place under Part 7.5 of the Corporations Act is available to the public free of charge; and
- (h) section 793A requires Mercari to have in place operating rules which comply with the regulations.

Australian Financial Services Licence (AFSL)

Mercari, in addition to a Market Licence, also holds an AFSL. Section 911A of the Corporations Act requires all entities that "carry on a financial services business in Australia" to hold an AFSL or to rely on an exemption from the requirement to hold an AFSL.

As specified above, Mercari holds AFSL number 229935. Please refer to Annexure C for a copy of Mercari's AFSL.

Mercari's AFSL authorizes it to (in relation to wholesale clients):

(a) provide financial product advice in relation to:
   (i) derivatives;
   (ii) foreign exchange contracts;
   (iii) carbon units;
   (iv) Australian carbon credit units; and
   (v) eligible international emissions units;

(b) deal in a financial product by arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of the following:
   (i) derivatives;
   (ii) foreign exchange contracts;

(c) deal in a financial product by arranging for another person to apply for, acquire, vary or dispose of a financial product in respect of the following:
   (i) derivatives;
   (ii) foreign exchange contracts;
   (iii) carbon units;
   (iv) Australian carbon credit units; and
   (v) eligible international emissions units.

Application process for AFSL

Any entity that applies for an AFSL is appropriately scrutinized by ASIC before the AFSL is granted. The application process is involved, requiring (at a minimum) submission of the following:

(a) ASIC Form FS01;
(b) A5 Business Description Proof application document;
(c) People Proof application documents in relation to each Responsible Manager attached to the AFSL;
(d) B1 Organizational Competence Proof application document; and
(e) B5 Financial Statements and Financial Resources Proof application document.

The process to obtain an AFSL can take anywhere from 3 - 8 months with extensive information requirements and vetting by ASIC.

Obligations under Chapter 7 of the Corporations Act for AFSL

Section 912A of the Corporations Act imposes the following obligations on an AFSL holder:

(a) a duty to do all things necessary to ensure that the financial services covered by the license are provided efficiently, honestly and fairly (s 912A(1)(a));
(b) a duty to have adequate arrangements in place for the management of conflicts of interest (s 912A(1)(b));
(c) a duty to comply with the financial services laws1 (s 912A(1)(c));
(d) a duty to take reasonable steps to ensure that the AFSL holder's representatives comply with financial services laws (s 912A(1)(ca));
(e) a duty to ensure that the AFSL holder's representatives are adequately trained, and are competent, to provide the financial services covered by the license (s 912A(1)(f));
(f) a duty to self-report breaches of the above duties with ASIC (s 912D); and
(g) a duty to file audited accounts (s 998B).

ASIC Regulatory Guide 104 deals with the general obligations imposed on AFSL holders.

ASIC also imposes conditions on each AFSL granted. These conditions are standardized and are set out in ASIC Pro Forma 209.

Australian Financial Regulatory Jurisdiction

In 2012 the International Monetary Fund commissioned a report entitled *Australia: IOSCO Objectives and Principles of Securities Regulation—Detailed Assessment of Implementation* (IMF Country Report No. 12/314) (the "IMF Report"). The IMF Report found:

> *The Australian legal and regulatory framework for securities markets exhibits a high level of compliance with the International Organization of Securities Commissions (IOSCO) Principles [For Financial Market Infrastructures].*

Developed and open international financial systems desire that flows of capital can freely exchange between jurisdictions. Of paramount concern to government and regulators is that their citizens can receive a comparable level of compliance and regulation when they are investing in another jurisdiction. This is commonly termed regulatory equivalence.

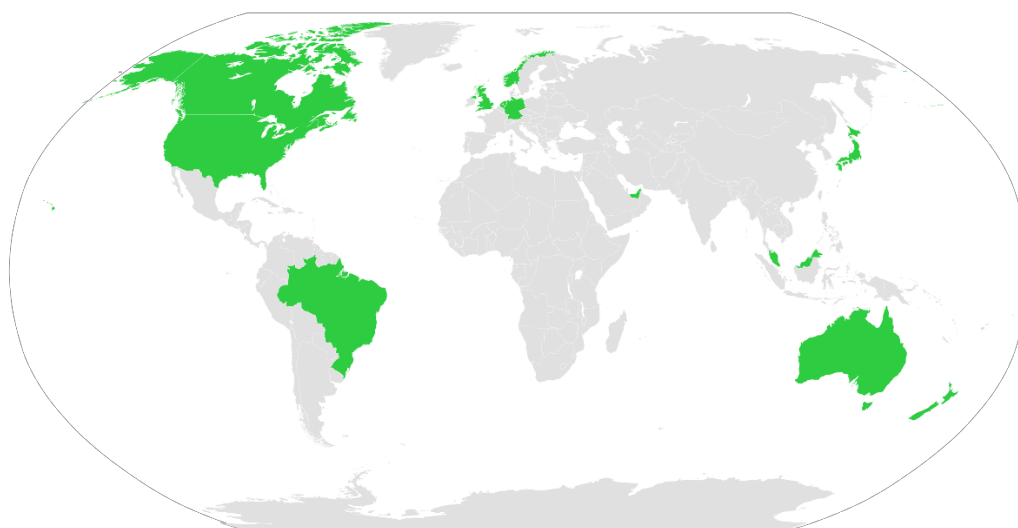
It is important to note that further to the regulatory equivalence obligations different countries have in place to enable exchange recognition, most states with sophisticated market structures and participants, including the U.S., England, EURO zone and Australia, mandate further requirements from foreign exchanges prior to registering them as "equivalents".

In the U.S. for example, a Foreign Boards of Trade ("FBOT") (or offshore exchanges) must apply for Orders of Registration from the Commodity Futures Trading Commission ("CFTC") to allow direct access from clients in the U.S.

The requirements for registration as an FBOT in the U.S. are extensive and include but are not limited to the following matters.

- An applicant for registration must demonstrate that its clearing organization is registered and in good standing with the CFTC as a derivatives clearing organization. The CFTC, in its discretion, may request additional information and documentation in connection with an application for registration and an applicant for registration must provide promptly any such additional information or documentation. The CFTC, in its discretion, also may impose additional registration requirements that the CFTC deems necessary after appropriate notice and opportunity to respond.
- The members and other participants of the foreign board of trade and its clearing organization are fit and proper and meet appropriate financial and professional standards.
- The foreign board of trade and its clearing organization have and enforce provisions to minimize and resolve conflicts of interest.
- The foreign board of trade and its clearing organization have and enforce rules prohibiting the disclosure, both during and subsequent to service on a board or committee, of material non-public information obtained as a result of a member's or other participant's performance of duties as a member of their respective governing boards and significant committees.
- The trading system complies with Principles for the Oversight of Screen-Based Trading Systems for Derivative Products developed by the Technical Committee of the International Organization of Securities Commissions.
- There are adequate provisions for emergency operations and disaster recovery.

For example, CFTC has registered FBOT from only 12 countries, Australia being one of the countries whose regulatory framework meets the strict CFTC requirements.



Historical & Existing Operations

Mercari holds a Market Licence, granted in 2005 by the Australian Government, to operate a financial market (SEF/OTC) to facilitate the trading of designated financial products by participants trading on their own behalf or are broker intermediated. All trades on the Mercari Direct market are matched by Mercari's proprietary matching platform, eSEF, and are bilaterally settled or subject to regulatory approval sent for clearing in accordance with the Mercari Operating Rules as approved under the relevant rules within the legislation for licensed financial market operators. Mercari also holds an Australian Financial Services Licence ("AFSL") allowing Mercari to provide additional financial services to participants trading on the Mercari market.

Mercari's investment in proprietary technology underpins its philosophy to bring together the best trading concepts with key and relevant end user functionality. The Mercari Direct markets operate on a purpose built, OTC/SEF trading and matching platform known as Mercari eSEF (electronic swaps execution facility). Mercari's in-house development team has a track record of building interfaces to enable connectivity to Mercari markets. These include native iOS and Android applications. Through the

operation of FIX gateways, connectivity to the Mercari markets may also be developed by individual brokers or ISVs. Regulatory approval of market technology is key to regulated FMI and Mercari has demonstrated ability to build technology that meets the high standards of Australian financial regulation.

Since Mercari's approval in 2005, Mercari has complied with all regulatory requirements and submitted Annual Regulatory Reports in compliance with section 792F of the Corporations Act (see Annexure E for 2018 Report). Mercari has also received Market Assessment Reports.

With an existing, operational, regulated FMI, subject to regulations, Mercari is set to embark on the next chapter in its journey, expanding its FMI by fully embracing tokenized securities, whilst maintaining its highly regulated FMI.

Mercari Business Plan: Three Foci

Innovation of Traditional Markets: Mercari DLT Execution System

Mercari's business plan has three main foci, underpinned by Mercari's robust, functional and proven FMI expertise. Firstly, Mercari intends to utilize a DLT-enabled system to instantly eliminate counter party risk and provide instant transfer of property and title for its existing approved financial products (the "Mercari DLT Execution System").

As an operating SEF, the largest impediment to expansion of its market is bilateral counter party risk. Until the development of distributed ledger technology, T+0 clearing and settlement was not possible and providing a cleared market meant partnering with a clearer to guarantee the trades and take on all counterparty credit risk. This involves substantial cost and regulatory oversight.

Mercari's existing products and participants are somewhat constrained as participants are required to take credit risk on the counterparty's financial obligations. Mercari's development team intends to develop and implement, subject to regulatory approval, the Mercari DLT Execution System for its vast and expanding suite of fully regulated financial products.

With Mercari's existing FMI, development expertise and its already expansive suite of financial products, the Mercari DLT Execution System will exponentially grow Mercari's ability to service international trades in agricultural commodities, fixed income and interest rates, energy and environmental derivatives and certificates and other financial products. Such an infrastructure will completely eliminate counter party risk and revolutionize SEF/OTC trading.

Margining is also a factor in the development of the Mercari DLT Execution System. Futures contracts traded on exchanges rely on a clearing and settlement system based on margin trading and financing. By way of example DLT specialist, δY/δX, has created a set of protocols based on the ERC-20 Token Standard, set within an "off-chain order relay with on-chain settlement" model which allow for the operation and execution of options and margin trading. In a further development of margin trading, δY/δX has created margin tokens, i.e. short and leveraged long tokens. A δY/δX margin token is a freely tradable ownership interest in a δY/δX margin position based upon the ERC-20 standard. Each type of margin token has a specified interest rate, expiration date, and amount of held token locked in the position per unit owed token sold through the δY/δX margin position. Each token is fungible, transferable, and can be traded in any amount.

Adaption of this open source protocol will be available to Mercari in the development of a regulatory compliant Mercari DLT Execution System.

Tokenized Securities Trading: Pathway to Asia through Regulatory Regime

To be run concurrently, the second part of Mercari's business plan focuses on building a fully regulated, T+0 tokenized security market, the Mercari Tokenized Securities Market. Leveraging its FMI, subject to regulatory approval, Mercari will utilize expansion funding to transform its FMI into the listing and trading tokenized securities platform combined with the Mercari DLT Execution System.

The world of tokenized securities is moving fast to regulation. For example, recent SEC enforcement action in the crypto space is objective evidence of this. Mercari has been a compliant Australian Market Licence holder for over 13 years working within the strict regulatory compliance regime in Australia's highly regarded financial system. In addition to Mercari's compliance history, the clear benefits of owning and developing its propriety technology means Mercari is in a position to move quickly to develop and deploy the Mercari Tokenized Securities Market.

Subject to regulatory approval, Mercari's FMI will be developed to allow for compliant purchasing, trading, clearing and processing of tokenized securities through a securities smart contract network. Mercari intends to also seek such regulatory approvals as may be required to operate in other major markets in addition to Australia. For example, Mercari may seek registration with the CFTC as a FBOT. However, no assurance can be given that such registration will be granted or if granted, when such registration would become effective.

A securities smart contract network will include procedures and algorithms for (i) distribution of tokenized securities post issuance; (ii) secondary trading; and (iii) clearing and settlement of transactions.

The requirements for success on the second limb of the business plan is not just technology execution but the ability to comply with complex and strict corporations and securities laws. This will require working both with Australian and foreign regulators and governments to achieve a consensus of how to comply and expand exiting legislation to ensure Australia's internationally highly regarded regulatory frameworks compete globally as regulation moves onto tokenized securitization. Mercari's management has extensive experience in securities and corporations laws, complying with strict and complex legislative frameworks while operating markets, completing Market Licence applications and variations (including drafting of complex rule books, market integrity rules, product development and approvals) and additionally working to alert government to the changing global landscape of financial product offerings so as to help foster an environment of adaptability of legislative policy if required to recognize blockages to the advancement of effective and efficient markets.

The Mercari Tokenized Securities Market will require Mercari to utilize existing intellectual property ("IP") to draft complex and regulatory compliant Rule Books and Procedures that will require incorporation into the smart contracts that govern the terms of trading of the newly formed regulatory compliant Mercari Tokenized Securities Market.

Mercari's management team has selectively targeted its future expansion in focusing on listing and secondary trading rather than issuance of tokenized securities products (such as Security Token Offerings ("STOs")). Mercari's expertise is building and maintaining regulated licensed platforms for listing and trading and sees tokenized securities issuance and deal flow as a specialized service. Mercari will strive to become be a world venue of choice for tokenized securities listing and trading and, subject to applicable licensing and other regulatory requirements, intends to leverage its FMI to form joint ventures and partnerships with tokenized securities issuing specialists and provide a pathway for global issuance firms to have a specialized tokenized securities market in the Asian region providing secured and cleared for secondary trading and settlement of tokenized securities.

Mercari understands the need for regulation and process in financial markets and also recognizes that entities wishing to list tokenized securities may not have expertise to comply with the requirements of a regulated exchange. Mercari is currently mapping out requirements that an entity will need to ensure it and its newly regulated securities will need after the issuance process in order to list on the FMI.

Mercari has identified three different categories of participants that will be connected to the Mercari Tokenized Securities Market; (i) entities who list tokenized securities ("Listing Entity"), (ii) entities that will trade the tokenized securities ("Traders"); and (iii) Market Makers. Each category has distinct requirements and needs in order to foster a liquid market.

Mercari's business plan is to be fixated on being a global venue of choice for tokenized securities, with a specialised Listing Services Department that will provide dedicated resources for both pre-listing and post-listing. The compliance necessary for a regulated listing is naturally stringent and Mercari will ensure that the listing process is simplified while ensuring minimum thresholds for Listing Entities match Mercari's high integrity standards. Merely having an STO issued on the blockchain will not guarantee listing on the Mercari Tokenized Securities Market. Listings will require approval of Mercari's Listing Committee with a level of initial disclosure to meet Mercari's pre-determined listing disclosure requirements. There will also be ongoing disclosure requirements in Mercari's Tokenized Securities Listing Rules designed to provide the market with timely information.

Subject to regulatory approval, regulatory compliant tokenized securities products to be targeted by Mercari for secondary trading on its SEF/OTC market include:

- Securitized/tokenized derivatives to simulate or mimic equity (security tokens);
- Securitized/tokenized commercial real estate assets;
- Securitized/tokenized corporate bonds;
- Securitized/tokenized interest rate swaps and other debt instruments;
- Securitized/tokenized annuities; and
- Securitized/tokenized Exchange Traded Funds through derivatives.

Protected by the high barriers to entry and boosted by the scalable nature of its FMI, Mercari is ahead of potential competitors who seek to offer a comparable tokenized securities exchanges as while also applying for Market Licences to comply with existing comparable regulatory frameworks.

Australia is located in the Asian time zone, together with several of the fastest growing economies in the word including populations who have skipped the "poles and wires generation" and who are quickly becoming the world's investor innovators. Regtech firms providing instant global AML/KYC and accredited investor status verification mean that Mercari's position in Australia will provide a pathway to Asia's fastest growing economies. Mercari's focus is on liquidity of markets by expanding distribution through connectivity with dealer brokers and issuing platforms for tokens.

Mercari is poised to enlighten traditional and regulated market exchanges with its FMI, market operations, legal and compliance expertise and its proximity to the lucrative Asian markets.

Australia's finance regulator openly accepts the challenges ahead to make Australia a world leader in fintech innovation. In a speech given at the Australian British Fintech Cyber Catalyst, the ASIC Commissioner, Cathie Armour, stated that ASIC's Innovation Hub has established, inter alia:

> *a senior internal taskforce to assist in analysis of new business models – the taskforce draws together knowledge and skills from across ASIC .... on blockchain and crypto-assets;*

Subject to regulatory approval, Mercari's expertise and proprietary market platform together with the necessary capital, will accelerate its development to include a fully regulated secondary trading of a full class of approved tokenized securities from within Australia's highly regarded and regulated financial eco-system. Development of the Mercari Tokenized Securities Market will ensure Mercari will be a premier player in the global tokenized securities landscape.

Strategic Regulated Market Infrastructure Joint Ventures

The third limb of Mercari's expansion is to seek to enter into joint ventures with distribution hubs in other fully regulated and compliant markets in order to fully utilize Mercari's proprietary technology and improve overall liquidity of trading (the "Joint Ventures"). There are two key elements that will determine the Joint Ventures. Firstly, vetting joint venture partners and jurisdictions that are comparable to Mercari's existing high regulatory benchmarks. Secondly, establishing clear synergies with partners that can benefit from Mercari's proprietary technology while firmly leveraging Mercari's expertise in structuring complex and regulatory compliant Rules Books for trading, settlement and clearing of existing financial products and emerging tokenized securities. The ability to establish such joint ventures will, among other things, be affected by the need to acquire approvals from or registration with applicable regulators in the jurisdictions in which such potential joint venture partners are located.

The IP in Mercari's management team for construction and implementation of complex compliant procedures and rules that govern regulated FMIs are not secondary to the technology that drives a marketplace, but are the building blocks for the molding of the technology. Mercari's expertise in both trading, and corporations and securities law means Mercari can adapt and adjust its existing IP to any jurisdiction ensuring continued compliance with financial regulations.

Mercari has already identified and signed NDAs with two potential regulated market infrastructure projects, both having exposure to Asian and U.S. markets for products with substantial take up and liquidity. Mercari believes these Joint Ventures will strengthen the value to Holders by utilizing the assets of Mercari in other regulated markets and sharing technologies and learning in different, non-competitive markets with Mercari. However, no assurance can be made that such Joint Ventures will be consummated.

Mercari continues to identify, evaluate and pursue various opportunities for strategic Joint Ventures to add to the services and expertise it offers its expanding customer base. Any such transaction that, due to size (i.e., in excess of USD 10 million), or importance to Mercari's business, operations or financial condition, or increasing impendency, is or becomes material in nature, will be disclosed at such times that Mercari may lawfully do so to Purchasers and Holders via press release, or by other available means of notifying Purchasers and Holders in accordance with applicable laws on both Mercari's and Issuer's websites. Mercari's management exercises substantial discretion in identifying appropriate strategic transactions and negotiating the terms of such transaction. Management's determinations are based on numerous financial, strategic and operational assumptions, and there can be no assurance that all of such assumptions will prove to be true. Moreover, such strategic transactions may fail to produce the benefits expected at the time of Mercari's commitment.

The Issuer and Mercari

The relationship is one of company and shareholder and the rights and obligations are determined in accordance with the SISA and the Mercari Constitution once Shares have been issued to the Issuer.

The structure implemented by the Issuer with Purchasers has been designed to ensure the Holders will upon purchase of the SEFtokens have an exercisable convertible interest in Mercari. In order to exercise that convertible interest, so long as Holders comply with the provisions of the smart contract and the convertible interest, the SEFtokens will be converted into equity interest without cost to the Holder.

The diagram below sets out the flows that take place from the SISA, this Memorandum, the STPA and the Smart Contract.

Mercari Pty Limited
(Australia company)

Right to subscribe to up to 47% of Mercari Pty Limited

Payment terms: when tokens released

Shares Issue and Subscription Agreement (SISA)

Shares Issued 4

6 Payment for Shares

Announced Amount published on website 3

Issuer:
SEFtoken, Inc.
(Delaware, U.S. company)

5 Payment for Tokens

Monies held in escrow 2

Escrow
(Crypto/Fiat)

5 Warrants/Tokens issued over Shares

Token Creation Platform
(KYC, AML, Payment, Issuance, Admin)

1 Security Token Purchase Agreement

Sales & Distribution
(By Broker/Dealers)

7 Commission

Token Purchasers
(Transacting in USD, BTC or ETH)

5 Warrants/Tokens issued over Shares

1. Sales and Marketing process runs until the close of offer (time or hard cap met)
2. Monies collected and held in escrow
3. Announced Amount published on SEFtoken, Inc. website regarding SEFtoken STO raise
4. Shares issued to SEFtoken, Inc. per terms of Shares Issue and Subscription Agreement (SISA)
5. Warrants over Mercari Pty Limited Shares tokenised, Tokens issued to Token Purchasers, Payment for Tokens to SEFtoken, Inc.
6. Payment for Shares to Mercari Pty Limited, less costs of fund-raising and ongoing compliance for SEFtoken Holders
7. Commission paid for sales distribution

Initial Launch of the SEFtokens

The Issuer has entered into STPAs and expects to enter into additional STPAs on an ongoing basis until on or about the End Date. The Issuer is targeting an Issuance Date for the 21st day following the End Date. However, there can be no assurance that the SEFtokens will be issued on such date or at all.

The Mercari Tokenized Securities Market will not have been developed by the Issuance Date and there can be no assurance that any peer-to-peer transfers will be available on the Issuance Date through any Designated Exchange.

Potential Future Competitive Landscape

Initial Coin Offerings ("ICOs") have, by some accounts, recently surpassed traditional early stage venture capital funding, and, as a result, have drawn a substantial amount of attention, including from U.S. regulators intensely focused on the securities law compliance of such offerings. The Chairman of the SEC has stated that, in his opinion, most, if not all ICOs are securities offerings. The SEC has recently very publicly brought numerous individuals and entities to account for issuing tokens without complying with applicable U.S. securities laws and regulations. Hence the development of STOs. Following on from that development, there is a deep market need for legitimate regulated licensed venues to support STOs. While Mercari seeks to be a leader in this space and believes it is well-positioned to develop the Mercari Tokenized Securities Market, the size of the market opportunity will continue to attract potential competitors seeking to provide trading services for securities tokens. As Mercari pursues the development of its proposed Mercari Tokenized Securities Market, Mercari expects to face significant competition from both emerging financial technology companies and established market participants.

Timing

Proceeds from this Offering, and from a concurrent Regulation S offering that the Issuer is conducting, will be used to subscribe for the Shares. The Issuer will be issued Shares within ten (10) days of the End Date where the Offering Condition is satisfied. This Issuer then expects that the SEFtoken Issuance will take place on or about twenty-one (21) days after the End Date (Issuance Date).

On, or prior to the, Issuance Date, the Issuer will issue covered warrants over the Shares and transfer an exercisable convertible interest in the Shares to SEFtoken purchasers in accordance with the Smart Contracts. Immediately after the Issuance Date, the Issuer will finalize its obligations under the SISA and pay the Share Subscription Consideration to Mercari.

The Proceeds of the Offering will be used in accordance with the Use of Proceeds section.

The Share Subscription Consideration payable to Mercari by the Issuer will be used by Mercari in accordance with Schedule 6 of the SISA. This is also set out in Use of Proceeds section.

Prior to the Offering, the Issuer had not previously conducted an offering of STPAs or SEFtokens.

Legal Matters

From time to time, the Issuer or Mercari may be involved in legal proceedings. The results of such legal proceedings and claims cannot be predicted with certainty, and regardless of the outcome, legal proceedings could have an adverse impact on the Issuer's and Mercari's business or the development and production of the SEFtokens because of defense and settlement costs, diversion of resources and other factors. As at the date of this Memorandum, neither the Issuer nor Mercari is aware of any pending legal proceedings being brought against them in any Court, regardless of jurisdiction.

From time to time, Mercari may be the target of patent infringement suits, typically brought by so-called non-practicing entities (commonly known as "patent trolls"). Although these suits must be taken seriously, and Mercari intends to defend itself vigorously, suits involving non-practicing entities often involve non-material monetary settlements. At this time, Mercari is not aware of any patent infringement suits against it, or contemplated to be brought against it, which could have significant effects on its financial position.

Overview of Transfer Restrictions included in this Memorandum

This Memorandum describes the legal and contractual transfer restrictions applicable to the SEFtokens. Purchasers should carefully review this Memorandum, including the transfer restrictions described under "Notice to Purchasers" and the Smart Contract which contain important information regarding the SEFtokens. Purchasers should consult with their own legal and financial advisors regarding the transfer restrictions to which they will be bound. The summary below is intended to provide an overview of applicable transfer restrictions and are qualified by reference to the transfer restrictions set forth under "Notice to Purchasers" and the Smart Contract.

For U.S. Purchasers

- A STPA is non-transferable and non-assignable. The executing party of an STPA cannot request that SEFtokens be issued in the name of any other entity not identified in the STPA.
- SEFtokens are expected to be issued on or about the 21st day following the End Date.
- SEFtokens issued to U.S. persons are not transferable for one year from the Issuance Date. Thereafter the SEFtokens will be transferable subject to the establishment of a sufficient process to verify the identity of subsequent Holders in order to ensure AML/ Office of Foreign Assets Control ("OFAC") compliance and compliance with applicable law (e.g., through the appointment of an SEC-registered transfer agent) and subject to any applicable conditions as may be imposed by the Issuer in its sole and absolute discretion. See "Notice to Purchasers" for additional information.
- After one year from the Issuance Date, peer-to-peer transfers will be permitted if and when the Issuer authorizes peer-to-peer transfer and so notifies Holders of SEFtokens thereof and of any applicable conditions. The Issuer plans to authorize peer-to-peer transfers so long as a sufficient process can be established to verify the identity of subsequent Holders in order to ensure AML/OFAC compliance and compliance with applicable law (e.g., through the appointment of an SEC-registered transfer agent). There is no guarantee that the Issuer will be able to establish such procedures and authorize peer-to-peer transfers.

For Non-US Purchasers

- A STPA is non-transferable and non-assignable. The executing party of an STPA cannot request that SEFtokens be issued in the name of any other entity not identified in the STPA.
- SEFtokens are expected to be issued on or about the 21st day following closing of the Offering Period.
- During the initial one-year period from the Issuance Date, SEFtokens may not be offered or sold to persons in the U.S.
- Peer-to-peer transfers will be permitted if the Issuer authorizes peer-to-peer transfers and so notifies Holders of SEFtokens thereof and of any applicable conditions. The Issuer plans to authorize peer-to-peer transfers so long as a sufficient process can be established to verify the identity of subsequent Holders in order to ensure AML/OFAC compliance and compliance with applicable law (e.g., through the appointment of an SEC-registered transfer agent). There is no guarantee that the Issuer will be able to establish such procedures and authorize peer-to-peer transfers.

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STRUCTURE & TERMS OF THE SECURITIES

The summary below describes the principal terms of the SEFtokens. Certain provisions described below are subject to important limitations and exceptions. Prospective purchasers should review the STPA in its entirety and the Smart Contract. If any of the provisions of the SEFtokens is inconsistent with or contrary to the descriptions or terms in this Memorandum, the terms of the STPA or Smart Contract, as applicable, will control. Upon the SEFtokens' issuance, the provisions of the Smart Contract will contain the complete terms of the SEFtokens.

Issuer	SEFtoken, Inc., a Delaware corporation.
Securities	Covered warrants (SEFtokens) convertible for Shares in Mercari Pty Limited. A STPA providing the Holder a right to acquire certain SEFtokens upon issuance for consideration. SEFtokens will be issued as ERC-20 (or equivalent) compliant tokens.
Offering Size	USD 125,000,000.
Offering Condition	For the Offering to take place purchasers must complete the STPA and in aggregate, subscribe to a minimum of 31,250,000 SEFtokens at USD 1.00 per SEFtoken (the "Offering Condition"). Subject to above, the maximum number of SEFtokens available for application by Purchasers is 125,000,000 at USD 1.00 per token (the "Maximum Amount").
Purchasers	Each Purchaser who has executed a STPA (a) if in the U.S., or a U.S. Person (as defined in Rule 902 of Regulation S under the Securities Act), must be an accredited investor, as defined in section 501 of the Securities Act; or (b) if in an offshore transaction (as defined in Rule 902 under the Securities Act), must not be a U.S. Person and must not be purchasing for the account or benefit of a U.S. Person.
Transfer	A STPA may not be resold, transferred or assigned under any circumstances. SEFtokens will be "Restricted Securities" under Rule 144 under the Securities Act ("Rule 144") and subject to legal, as well as contractual, transfer restrictions. See "Notice to Purchasers" for more information. In any case, Holders will not be able to transfer their SEFtokens until the Issuer designates a Designated Exchange or explicitly authorizes peer-to-peer transfers. Peer-to-peer transfers will not be permitted unless and until Holders are notified otherwise by the Issuer and informed of the requirements and conditions to do so. There can be no assurance that any Designated Exchange will be designated or created or that peer-to-peer transfers will ever be permitted. Affiliates of an Issuer, including persons who were affiliates of the company at any time during the 90 days prior to the sale of the company's securities (collectively, "Affiliates") often rely on Rule 144 in order to publicly resell securities of that company. The Issuer does not expect Rule 144 to ever be available for resales of the SEFtokens by Affiliates of the Issuer. As a result, Affiliates of the Issuer that acquire SEFtokens should expect to hold the SEFtokens during the Holding Period.
Offering price	USD 1.00 per SEFtoken.
Offer Period	The Offer Period commences on January 2, 2019 and will to run through, and including, the End Date and the Issuer will enter into STPAs with select purchasers identified by the Issuer during that time. The End Date may be extended or shortened at the Issuer's sole discretion. Any extension or shortening of the Offer Period will be announced on the Issuer's website, a supplement to this Memorandum or other available means of notifying Purchasers.
Consideration	Rights to acquire SEFtokens will be sold pursuant to a STPA at a price of USD 1.00 per SEFtoken. No discounts will be offered by the Issuer.

No assurance	No assurance can be given that each purchaser that wishes to participate in the Offering will be able to do so, or to do so at the level at which such purchaser desires. The Issuer reserves the right to reject any proposed investment in part or in its entirety at its sole discretion.
How to Purchase SEFtokens	To purchase SEFtokens, potential purchasers must complete and execute the STPA accompanying this Memorandum and deliver it to the Issuer before the expiry of the Offer Period, together with full payment for all SEFtokens purchased in accordance with the Payment Procedures provided in the STPA. To be issued SEFtokens, potential purchasers must also undergo KYC/AML and accredited investor verifications as required by the Issuer.
Plan of distribution	SEFtokens will be offered and sold solely to qualified purchasers, by the Issuer's officers and directors and the Issuer reserves the right to engage broker-dealers either registered under Section 15 of the Exchange Act as FINRA members or who hold appropriate licenses in other jurisdictions as required, to participate in the Offering and/or refer qualified purchasers ("**Selling Agents**") and on the sale of the SEFtokens and to pay to such Selling Agents, if any, cash commissions of up to 5% of the gross proceeds from the sales of SEFtokens placed by such Selling Agent.
Form of Payment for SEFtoken	The purchase price of the SEFtokens will be designated in USD. Payment will be accepted in USD, bitcoin or Ethereum. Payments in bitcoin or Ethereum will be exchanged to USD according to the Payment Procedures.
Payment Instructions	See the Payment Procedures for a description of payment procedures to be followed upon execution of a STPA.
STPA Limitations	The STPA does not confer any entitlements to vote, receive dividends or be deemed the holder of capital stock of the Issuer or Mercari to any person in their capacity as party to the STPA for any purpose, nor will anything contained in this Memorandum be construed to confer on the STPA any of the rights of stockholder of the Issuer or Mercari or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive dividends, subscription rights or otherwise. The STPA is non-transferable and non-assignable. The STPA does not confer any legal or equitable rights, interests or claims in or to any specific property or assets of the Issuer or Mercari. To the extent that the STPA acquires a right to receive any payment from the Issuer in connection with the STPA, such right shall be no greater than the right of an unsecured general creditor of the Issuer.
The SEFtoken Issuance	Upon the satisfaction of the Offering Conditions and the SEFtoken Issuance, each applicable STPA and its terms and conditions are considered to have been performed and is completed/at an end in accordance with its terms. See the section entitled "Plan of Distribution" for further information on the mechanics of the SEFtoken Issuance.
Carried Interest	As part of the Offering, additional SEFtokens will be issued to the Issuer to be distributed at the sole discretion of the Issuer for purposes including, but not limited to, incentivizing Directors, Management and key persons of Mercari in relation to executing the Mercari Business Plan to align the interests of Directors, Management and key persons of Mercari with that of Mercari ("Carried Interest"). The Carried Interest is set out in the Directors and Management.
Forward Contract Tax Treatment	Holders who are U.S. Persons will be required to treat the SEFtokens as prepaid forward contracts for U.S. federal, state and local income taxes, and will not take any position on any tax return, report, statement or tax document that is inconsistent with such treatment.
SEFtokens Voting Rights	SEFtokens are not shares and hold no voting rights. Once converted into Shares, the Shares carry voting rights in Mercari: one vote per Share according to the Mercari Constitution.

Dividends under the SEFtokens	SEFtokens are not shares and carry no rights to dividends. Once converted into Shares, the Shares will have rights to dividends as announced by Mercari's board of directors (the "Board") pursuant to its dividend policy.
Right of Conversion of SEFtokens for Shares	SEFtokens may be converted for Shares during the period beginning two (2) years after the Issuance Date (the "Exercisable Date") up to and including five (5) years from the Exercisable Date (the "Expiry Date"). The intervening period between the Exercisable Date and the Expiry Date will be the "Exercise Period". There is NO additional consideration payable by Holders to exercise the convertible rights in the SEFtokens into Shares.
Rate of Conversion	Each SEFtoken is an exercisable right to convert into Shares in accordance with the conversion rate in Clause 3.1 of the Smart Contract. The rate of conversion is 0.0000003572% per SEFtoken of the total number of Shares in Mercari at Issuance Date. The formula is in Schedule 2.
Non-Dilution Mechanisms	Shares have anti-dilution mechanisms to ensure that if Mercari issues more shares, other than a capital raise for valuable consideration above the Share subscription price, within approximately seven (7) years from the Subscription Date, the owner of Shares will be automatically issued more Shares to re-adjust its shareholding to the fully diluted holding percentage that it was granted upon exercising Right of Conversion.
SEFtoken Liquidation Preference	In the event of any liquidation, dissolution or winding up of the Issuer, Holders will not be entitled to any distribution of any assets or funds of the Issuer with equal priority and preference to holders of the Issuer's common stock. Once converted into Shares, the Shares will upon any liquidation, dissolution or winding up of Mercari be ranked equally with ordinary shareholders of Mercari.
Liquidity Event Entitlement	In the event of a Liquidity Event in relation to Mercari (including the merger or consolidation of Mercari with any other company, a merger in which the shareholders of Mercari receive cash or property for their Shares, or the sale of all or substantially all of the assets of Mercari, or any other change of control of Mercari in which the Shareholders of Mercari receives cash or property, issue of new Shares to the Issuer after Issuance Date, declaration of dividend) at any point in time up to the Expiry Date, for any SEFtoken not converted into Shares, the Issuer will hold in trust any consideration received as shareholder in Shares in Mercari (the "Liquidity Event Entitlement") up to the Expiry Date, and the Holders may present their SEFtokens to the Issuer during the Exercise Period in exchange for their Shares and any Liquidity Event Entitlement calculated in accordance with Schedule 1.
Termination of STPA and Expiry Date of SEFtokens	When the SEFtokens are issued, each applicable STPA and its terms and conditions are considered to have been performed and is completed/at an end in accordance with its terms. The SEFtokens will retain all of their rights during the Exercise Period. The SEFtokens will expire or lapse at the Expiry Date and have no rights or value after that time.
General Withdrawal Rights	Generally, if the Offer Condition is not satisfied, or if the Issuer amends the terms of the Offering subsequent to the date of this Memorandum in any material respect, it will provide purchasers that have previously funded their commitment at least three (3) business days to withdraw from the Offering. Upon any such withdrawal, the STPA will terminate and all funds received in connection with the Offering from such purchasers will be promptly returned to the respective purchasers without interest. Such refund will be made in USD without interest, in accordance with the Payment Procedures. For example, a purchaser who funded 100 BTC will be refunded the amount notified to Purchaser as the USD converted amount as set out in the Payment Procedures.
Amendments	The Issuer reserves the right to amend the terms of the SEFtokens at any time during the Offering prior to the End Date.
Documentation	To invest, each purchaser will be required to complete such documentation as may be requested by or on behalf of the Issuer, which may include, without limitation: (1) the execution and delivery of a STPA, (2) completion of purchaser qualification requirements, (3) completion of KYC/AML verification and (4) for accredited investors, provision of documents sufficient to enable the verification of such purchaser's status.
Use of Proceeds	The proceeds of the Offerings are expected to be used (i) for the payment of the Share Subscription Consideration to Mercari; (ii) for general corporate purposes towards the administration of the Issuer to provide services to Holders until the Expiry Date; and (iii) expenses related to the Offering and

	other legal and accounting expenses. The failure by the Issuer's management to apply these funds effectively could have a material adverse effect on the Issuer and the value of the SEFtokens.
Concurrent offering:	The Issuer is conducting a concurrent private placement to accredited investors outside of the U.S. under Reg S (the "Reg S Offering"). The Reg S Offering is up to 125,000,000 of SEFtokens (covered warrants) at a price of USD 1.00 per SEFtoken in reliance on Regulation S under the Securities Act (the "Reg S"). The SEFtokens sold in the Reg S Offering have the same rights as those being sold in this Offering and will be subject to restrictions on resale.
Proposed U.S. Trading	After Holding Period has elapsed the Issuer intends to have SEFtokens traded on Designated Exchanges in the U.S.
Risk Factors	Purchasers should read the "Risk Factors" section of, and all of the other information set forth in, this Memorandum to consider carefully before deciding to purchase any SEFtokens in this Offering.
Governing Law	The STPAs will be governed by the law of the State of Delaware. The SEFtokens will be governed by the law of the State of Delaware and the Securities Act

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RISK FACTORS

A purchase of SEFtokens involves a high degree of risk. Purchasers should consider carefully the risks described below, together with all of the other information contained in this Memorandum, the STPA and the Smart Contract, before making an investment decision.

The SEFtokens represent exercisable convertible rights to Shares in Mercari. Mercari is a company incorporated in Australia and holds a Market Licence and has been operating since 2005. The Issuer was incorporated on November 9, 2018 for the purpose of raising capital for the Share Subscription Consideration. Mercari is using the Share Subscription Consideration for its expansion funding. When assessing the risk of this investment it is important to consider the risks associated with regulatory aspects of DLT and tokenization of assets, development of DLT and associated trading of tokenized securities and the operation of Mercari as the SEFtokens represent exercisable convertible rights to Shares in Mercari. Generally, these risks are broken into Regulatory Risks, DLT & Tokenized Securities Market Risks and Mercari Operational Risks. Each are addressed below.

Regulatory Risk

Mercari's proposed expansion of its FMI to incorporate the Mercari DLT Execution System will require regulatory approval.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products, Mercari's expansion plans to incorporate the Mercari DLT Execution System will require regulatory approval. Accordingly, timeframes and decisions of regulatory bodies may result in the SEFtokens becoming less attractive to purchasers and it could have a material adverse impact on Mercari's prospects. It is not possible to accurately predict the potential adverse impacts, if any, of future regulatory decisions on Mercari's economic prospects.

Mercari's proposed expansion of its FMI to expand to include the Mercari Tokenized Securities Market will require regulatory approval.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products, Mercari's expansion plans to expand to include the Mercari Tokenized Securities Market will require regulatory approval in Australia and potentially other jurisdictions. Accordingly, timeframes and adverse decisions of regulatory bodies may result in the SEFtokens becoming less attractive to purchasers and it could have a material adverse impact on Mercari's prospects. It is not possible to accurately predict the potential adverse impacts, if any, of future regulatory decisions on Mercari's economic prospects.

The tax treatment of the SEFtokens is open to interpretation and there may be adverse tax consequences for purchasers upon certain future events.

The tax characterization of the SEFtokens is subject to complex U.S. Federal and international tax statutes, and each purchaser must seek its own tax advice in connection with a purchase of SEFtokens. A purchase of SEFtokens may result in adverse tax consequences to purchasers, including withholding taxes, income taxes and tax reporting requirements. See "Certain United States Federal Income Tax Considerations," herein. Each purchaser should consult with and must rely upon the advice of its own professional tax advisors with respect to the U.S. and non-U.S. tax treatment of a purchase of SEFtokens.

The tax characterization of the SEFtokens also affects the Issuer's tax liability in connection with the Offering. In addition, the accounting consequences are complex, and there is a possibility that the proceeds of the Offering might be treated as a liability rather than equity for accounting purposes, which may reduce the Issuer's net book value compared to equity treatment. This may impact on the Issuer's use of funds to ensure compliance with accounting standards.

The potential application of U.S. laws regarding purchasing new securities like SEFtokens is open to interpretation.

The SEFtokens are novel and the application of U.S. federal and state securities laws is complex in many respects. Because of the differences between the SEFtokens and traditional investment securities, there is a risk that issues that might easily be resolved by existing law if traditional securities were involved, may not be easily resolved for the SEFtokens. In addition, because of the novel construction of the SEFtokens, it is possible that securities regulators may interpret laws in a manner that adversely affects the value of the SEFtokens. For example, if applicable securities laws restrict the ability for the SEFtokens to be transferred, this would have a material adverse effect on the value of the SEFtokens. The occurrence of any such legal or regulatory issues or disputes, or complexity about the legal and regulatory framework applicable to the SEFtokens, could have a material adverse effect on the Holders of SEFtokens.

The SEFtokens may be subject to registration under the Exchange Act if the Issuer has assets above $10 million and more than 2,000 Purchasers participate in the Offering, which would increase the Issuer's costs and require substantial attention from management.

Companies with total assets above $10 million and more than 2,000 holders of record of its equity securities, or 500 holders of record of its equity securities who are not accredited investors, at the end of their fiscal year must register that class of equity securities with the SEC under the Exchange Act. The Issuer could trigger this requirement as a result of the Offering and be required to register the SEFtokens with the SEC under the Exchange Act, which would be a laborious and expensive process. Furthermore, if such registration takes place, the Issuer will have materially higher compliance and reporting costs going forward.

SEFtokens are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections.

SEFtokens are not legal tender, are not backed by the government, and accounts and value balances are not subject to Federal Deposit Insurance Corporation or Securities Investor Protection Corporation protections. Any purchase of SEFtokens is made at the risk of the Purchaser.

The regulatory regime governing blockchain technologies, cryptocurrencies, tokenized securities, and offerings of tokenized securities, such as the SEFtokens, is complex, and new regulations or policies may materially adversely affect the development and the value of SEFtokens.

Regulation of tokenized securities like SEFtokens is currently undeveloped and likely to rapidly evolve as government agencies take greater interest in them. Regulation varies significantly among international, federal, state and local jurisdictions and is subject to significant regulatory interpretation. Various legislative and executive bodies in the U.S. and in other countries may in the future adopt laws, regulations, or guidance, or take other actions, which may severely impact the permissibility of SEFtokens, tokens generally and, in each case, the technology behind them or the means of transaction in or transferring of them. Failure by the Issuer or certain users of the SEFtokens to comply with any laws, rules and regulations, some of which may not exist yet or that are subject to interpretations that may be subject to change, could result in a variety of adverse consequences, including civil penalties and fines.

Cryptocurrency networks, distributed ledger technologies, and coin and token offerings also face an uncertain regulatory landscape in many foreign jurisdictions such as the European Union, China and Russia. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect the SEFtokens. Such laws, regulations or directives may conflict with those of the U.S. or may directly and negatively impact the Issuer's and Mercari's business. The effect of any future regulatory change is impossible to predict, but such change could be substantial and materially adverse to the adoption and value of the SEFtokens and the financial performance of Mercari.

New or changing laws and regulations or interpretations of existing laws and regulations, in the U.S. and other jurisdictions, may materially and adversely impact the value of SEFtokens, including with respect to the dividends that may be made on tokenized securities, the liquidity of SEFtokens, the ability to access marketplaces or exchanges on which to trade SEFtokens, and the structure, rights and transferability of SEFtokens.

Mercari may not receive necessary regulatory approvals to operate the Mercari Tokenized Securities Market.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products, Mercari's expansion plans encompass the Mercari Tokenized Securities Market. A market for tokenized securities will require government regulatory approval and will necessitate operating rules changes, product rulings or other approval variations to the existing market license and possible changes to existing legislation, and as such may take a long period of time without any guarantee of regulatory approval.

The Issuer's and Mercari's business are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, technology, data protection, and other matters. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to the Issuer's and Mercari's business practices, increased cost of operations or otherwise harm the Issuer's and Mercari's business.

The Issuer and Mercari are subject to a variety of laws and regulations in the U.S. and abroad that involve matters central to its business, including user privacy, DLT, broker dealer, data protection and intellectual property, among others. Foreign data protection, privacy, broker dealer and other laws and regulations are often more restrictive than those in the U.S. These U.S. federal and state and foreign laws and regulations are constantly evolving and can be subject to significant change. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which the Issuer and Mercari operate.

The Issuer and Mercari have adopted policies and procedures designed to comply with these laws. The growth of their business and their expansion outside of the U.S. may increase the potential of violating these laws or its internal policies and procedures.

The risk of the Issuer and Mercari being found in violation of these or other laws and regulations is further increased by the fact that many of them have not been fully interpreted by the regulatory authorities or the courts, and thus, are open to a variety of interpretations. Any action brought against the Issuer and/or Mercari for violation of these or other laws or regulations, even if the Issuer and Mercari successfully defend themselves, could cause them to incur significant legal expenses and divert their management's attention from the operation of its business. If the Issuer and Mercari as operations are found to be in violation of any of these laws and regulations, they may be subject to any applicable penalty associated with the violation, including civil and criminal penalties, damages and fines. They could be required to refund payments received and could be required to curtail or cease their operations. Any of the foregoing consequences could seriously harm their business and their financial results. These existing and proposed laws and regulations can be costly to comply with and can delay or impede the development of new products, result in negative publicity, increase their operating costs, require significant management time and attention, and subject the Issuer and Mercari to claims or other remedies, including fines or demands that the Issuer and Mercari modify or cease existing business practices.

Other Governmental factors.

The operations of Mercari in regulated financial products is dependent on Australian government approvals, actions and initiatives and changes in laws and regulations or the interpretation thereof, including without limitation tax laws, securities laws and regulations and interpretations by the Reserve Bank of Australia, Treasury, ASIC and the Commonwealth of Australia.

In addition, the impact of U.S. government approvals, actions and initiatives and changes in laws and regulations or the interpretation thereof, including without limitation tax laws, regulations and interpretations by the SEC, States and self-regulatory organizations, including without limitation, FINRA, may impact the ability of purchasers of SEFtokens to trade and register their ownership transference.

DLT, SEFtoken & Tokenized Securities Market Risks

At Issuance, there may be no trading market for the tokens, and a trading market may never develop.

There may be no trading market available for the SEFtokens at the Issuance Date, no Designated Exchange, and peer-to-peer transfers will not be permitted unless and until Holders are notified otherwise by the Issuer and informed of the requirements and conditions to do so. As a result of recent regulatory developments, unregulated crypto exchanges are unable to list tokenized securities, such that when the SEFtokens become transferable, they may only be traded on very limited range of venues, including U.S. registered exchanges, compliant Market Licence holders or regulated alternative trading systems for which a Form ATS has been properly submitted to the SEC or equivalent Non-US regulated trading platform. Currently, the Issuer is unaware of any comprehensive fully electronic regulated compliant Exchange Market Licence holders or operational ATS, or exchange or equivalent non-US regulated trading platform capable of supporting comprehensive electronic secondary trading and appropriate settlement in the SEFtokens. Moreover, even if legally permitted, by purchasing SEFtokens, Holders of SEFtoken agree to additional transfer restrictions and shall not be able to effect transfers until such time as the Issuer informs Holders that a Designated Exchange is available or that peer-to-peer transfer processes have been established. As a result, Holders of SEFtokens should be prepared to hold their SEFtokens at least up until immediately prior to the Expiry Date and must ensure that in order to claim their entitlement to Shares, present the SEFtokens to the Issuer for conversion into Shares prior to the Expiry Date. See "Notice to Purchasers" for more information. Moreover, even if the SEFtokens become transferable, Mercari may rely on technology, including smart contracts, to implement certain restrictions on transferability in accordance with the federal and international securities laws. There can be no assurance that such technology will function properly, which could result in technological limitations on transferability and expose the Issuer to legal and regulatory issues.

Mercari currently does not anticipate that the existing eSEF Exchange Trading Platform will be deployed in connection with the SEFtokens or any other tokenized securities in the same manner as it is currently deployed by Mercari with its existing suite of approved financial products, but intends to leverage its experience and expertise in developing and maintaining the existing eSEF Exchange Trading Platform in order to develop the Mercari Tokenized Securities Market subject to regulatory approval. As of the date of this Memorandum, Mercari remains in the preliminary stages of extending its current financial market infrastructure toward a Mercari Tokenized Securities Market. The Mercari Tokenized Securities Market may be developed as an additional functionality of the existing eSEF Exchange Trading Platform or any other format wherever situated. The development of the existing eSEF Exchange Trading Platform involves complex technological considerations and raises numerous legal and regulatory issues that will need to be addressed—likely, in consultation with the international broker-dealer regulators. As a result of these technological, legal and regulatory considerations, the existing eSEF Exchange Trading Platform may never be developed into the Mercari Tokenized Securities Market and, if developed, may, for a variety of technological, legal and regulatory reasons, never become operational. Furthermore, there can be no assurance that any security token exchange will be created by a third party that will allow the SEFtokens to trade in a manner permitted by the Issuer or at all.

In the event that the SEFtokens remain untradeable for a significant period of time or indefinitely, the value of the SEFtokens could be materially adversely affected.

You may need to acquire some necessary skills to secure, trade, or collect distributions using SEFtoken

Participating in this Offering may require some technical skill beyond that of many purchasers. Securing, trading or collecting distributions relating to SEFtokens requires working knowledge of DLT technology, DLT assets and their attendant systems and processes. Similar knowledge of Tokenized Securities exchanges and other industry participants may be required to comply with the requirements of this Offering.

Incompatible Ethereum Wallet Address

Purchasers of SEFtoken are required to provide the Issuer with a suitable Ethereum wallet address so that the Issuer can transfer the SEFtokens. The wallet used by a purchaser must be technically compatible with the SEFtoken. The failure to assure this may have the result of the purchaser being unable to gain access to the SEFtoken.

SEFtokens are covered warrants and have an expiry date. If a SEFtoken is allowed to expire it will be of no value.

SEFtokens are covered warrants and not Shares. Every SEFtoken is an exercisable convertible right in the Holder to convert the SEFtoken for a Share. There is no additional consideration payable to exercise the right to convert the SEFtoken for a Share.

The Exercise Period is set out in the Smart Contract. All entitlements to Shares are forfeited by a Holder who fails to comply with the Form of Notice of Exercise of Warrant within the Exercise Period.

The Offering and the Token Creation Platform may be vulnerable to hackers and cyber-attacks.

The proposed Offering of SEFtokens will be internet-based, which may make the Offering vulnerable to hackers who may illegally access the data of purchasers of SEFtokens and users of the Issuer's website for the Offering. Further, any significant disruption to the Issuer's operations, which could cause purchasers and potential users to lose trust and confidence in the Issuer's and Mercari's business, which could result the Issuer having to cease operations. In addition, the Issuer will rely on third-party technology providers to provide it with the various elements of the Offering. Any disruptions of services or cyber-attacks on these third-party technology providers could harm the Issuer's and Mercari's reputation and materially and negatively impact their prospects.

If SEFtokens ever become transferable, SEFtoken transactions may be irreversible, and, accordingly, losses due to fraudulent or accidental transactions may not be recoverable.

In the event that the SEFtokens become tradeable on Designated Exchanges or pursuant to permitted peer-to-peer transfers, transactions in SEFtokens may be irreversible, and, accordingly, a Purchaser of the SEFtokens may lose all of his or her investment in a variety of circumstances, including in connection with fraudulent or accidental transactions, technology failures or cyber-security breaches. If applicable, real-time settlement would further increase the risk that correction of trading errors may be impossible and losses due to fraudulent or accidental transactions may not be recoverable.

The nature of SEFtokens means that any technological difficulties experienced by any Designated Exchange, the Ethereum network, or other services such as crypto-wallets may prevent the access or use of a Purchaser's SEFtokens.

Any Designated Exchange, including the Mercari Tokenized Securities Market, if developed, will be subject to the risk of technological difficulties that may impact on trading of the SEFtokens, which include, without limitation, failures of any DLT on which the SEFtokens or the Designated Exchange relies or the failure of Smart Contracts to function properly. Trading in the SEFtokens will depend on the operation and functionality of the applicable Designated Exchange and if such system were to fail for any reason, trading in the SEFtokens could be impossible until such failure was corrected, and full functionality restored and tested. Any such technological difficulties may prevent the access or use of the SEFtokens. This could have a material impact on the applicable Designated Exchange's ability to execute or settle trades of the SEFtokens, maintain accurate records of the ownership of the SEFtokens and comply with obligations relating to records of the ownership of the SEFtokens with a material adverse effect on the Holders of the SEFtokens.

The Issuer engaged market makers may not always meet Holder price or volume expectations while developing a trading market in the SEFtokens.

Most securities that are publicly traded globally have one or more broker-dealers acting as "market makers" for the security. A market maker is a firm that stands ready to buy and sell the security on a regular and continuous basis at publicly quoted prices. Prior to the development, creation and authorization of a Designated Exchange, while the Issuer intends to sign MOUs with experienced market makers, any market maker pricing may not always meet Holders' price or volume expectations, and as such this could have a material adverse effect on Holders' ability to trade the SEFtokens a price suitable to the Holder at the time they are wanting to trade.

Only certain persons and entities are able to acquire SEFtokens.

Only limited categories of persons and entities may purchase SEFtokens. The Issuer expects that these limitations will limit liquidity in the SEFtokens, and the limitations may have a material adverse effect on the development of any trading market in the SEFtokens. The SEFtokens have not been registered under the Securities Act or any U.S. state securities laws or under the securities laws of any other jurisdiction and may not be offered or sold within the U.S. or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. In addition, in offshore transactions the SEFtokens may be purchased only by non-U.S. Persons in accordance with applicable restrictions under the securities laws of the jurisdictions in which they are sold. Generally, foreign securities laws restrict the categories of persons permitted to purchase securities, such as the SEFtokens, to specified classes of sophisticated investors. No action has been taken in any jurisdiction to permit a public offering of the SEFtoken. Moreover, in addition to legal restrictions, by acquiring SEFtokens, Purchasers agree to additional transfer restrictions described in this Memorandum.

Consequently, it is expected that there will only be a limited number of Holders, a Purchaser of the SEFtokens and an owner of beneficial interests in those SEFtokens must be able to bear the economic risk of their investment in the SEFtokens until the Expiry Date. Holders must present their SEFtokens to the Issuer prior to the Expiry Date to convert the SEFtokens to Shares. Failure to do so will mean that the Warrant encoded into the SEFtoken's Smart Contract will lapse and any entitlement to Shares and/or Liquidity Event Entitlement will be forgone. For a discussion of certain restrictions on resale and transfer, see "Plan of Distribution" and "Notice to Purchasers."

The further development and acceptance of DLT-enabled networks, which are part of a new and rapidly changing industry, are subject to a variety of factors that are difficult to evaluate. The slowing or stopping of the development or acceptance of DLT-enabled networks and assets would have an adverse material effect on the successful development and adoption of the SEFtokens.

The growth of the blockchain industry in general, as well as the DLT-enabled networks on which the SEFtokens rely, is subject to a high degree of development and innovation which carry risks. The factors affecting the further development of the cryptocurrency and crypto-security industry, as well as DLT-enabled networks, include, without limitation:

- worldwide growth in the adoption and use of cryptocurrencies, tokenized securities and other blockchain technologies;
- government and quasi-government regulation of cryptocurrencies, tokenized securities and other blockchain assets and their use, or restrictions on or regulation of access to and operation of DLT-enabled networks or similar systems;
- the maintenance and development of the open-source software protocol of cryptocurrency or tokenized securities networks;
- changes in consumer demographics and public tastes and preferences;
- the availability and popularity of other forms or methods of buying and selling goods and services, or trading assets including new means of using government-backed currencies or existing networks;
- general economic conditions and the regulatory environment relating to cryptocurrencies and tokenized securities; and
- a decline in the popularity or acceptance of cryptocurrencies or other blockchain-based tokens would adversely affect Mercari's results of operations.

The cryptocurrency and tokenized securities industries as a whole have been characterized by rapid changes and innovations and are constantly evolving. Although they have experienced significant growth in recent years, the slowing or stopping of the development, general acceptance and adoption and usage of DLT-enabled networks and assets may deter or delay the acceptance and adoption of the SEFtokens.

The price movements of tokenized securities may be volatile. Fluctuations in the price of tokenized securities could materially and adversely affect Mercari's business, and the SEFtokens themselves may also be subject to significant price volatility.

Regardless that the SEFtoken will be a security, the prices of cryptocurrencies, such as bitcoin and Ethereum, and other tokenized securities have historically been subject to dramatic fluctuations and are highly volatile, and the market price of the SEFtokens may also be highly volatile. Several factors may influence the market price, if any, of the SEFtokens, including, but not limited to:

- the ability of the SEFtokens to trade in a secondary market, if at all;
- the availability of a Designated Exchange or other trading platform for tokenized securities;
- global tokenized securities and security token supply;
- global tokenized securities and security token demand, which may be influenced by the growth of retail merchants' and commercial businesses' acceptance of cryptocurrencies as payment for goods and services, the security of unregulated digital/cryptocurrency exchanges and crypto-wallets that hold digital assets, the perception that the use and holding of digital assets is secure, and the regulatory restrictions on their use;
- purchasers' expectations with respect to the rate of inflation;

- changes in the software, software requirements or hardware requirements underlying the SEFtokens;
- changes in the rights, obligations, incentives, or rewards for the various Holders of the SEFtokens;
- interest rates;
- currency exchange rates, including the rates at which cryptocurrencies may be exchanged for fiat currencies;
- government-backed currency withdrawal and deposit policies of tokenized securities exchanges;
- interruptions in service from or failures of major tokenized securities and security token exchange on which tokenized securities and security tokens are traded;
- investment and trading activities of large purchasers, including private and registered funds, that may directly or indirectly invest in securities tokens or other digital assets;
- monetary policies of governments, trade restrictions, currency devaluations and revaluations;
- regulatory measures, if any, that affect the use of tokenized securities and security tokens such as the SEFtokens;
- global or regional political, economic or financial events and situations; and
- expectations among tokenized securities participants that the value of security tokens or other tokenized securities will soon change.

A decrease in the price of a single tokenized securities may cause volatility in the entire tokenized securities and security token industry and may affect other tokenized securities including the SEFtokens. For example, a security breach that affects Purchaser or user confidence in bitcoin or Ethereum may affect the industry as a whole and may also cause the price of the SEFtokens and other tokenized securities to fluctuate. Such volatility in the price of the SEFtokens may result in significant loss over a short period of time.

The suitability of DLT networks upon which the SEFtoken is tokenized could decline

DLT networks are based on software protocols that govern the peer-to-peer interactions between computers connected to these networks. The suitability of the networks for Mercari DLT Execution System, Mercari Tokenized Securities Market or the functionality of the SEFtoken depends upon a variety of factors, including:

- The effectiveness of the informal groups of (often uncompensated) developers contributing to the protocols that underlie the networks;
- Effectiveness of the network validators (sometimes called “miners”) and the network’s consensus mechanisms to effectively secure the networks against confirmation of invalid transactions;
- Disputes among the developers or validators of the networks;
- Changes in the consensus or validation schemes that underlie the networks, including without limitation shifts between so-called “proof of work” and “proof of stake” schemes;
- The failure of cyber security controls or security breaches of the networks;
- The existence of other competing and operational versions of the networks, including without limitation so-called “forked” networks;
- The existence of undiscovered technical flaws in the networks;
- The development of new or existing hardware or software tools or mechanisms that could negatively impact the functionality of the systems;
- The price of blockchain assets associated with the networks;
- Intellectual property rights-based or other claims against the networks’ participants; and
- The maturity of the computer software programming languages used in connection with the networks.

Unfavorable developments or characteristics of any of the above circumstances could adversely affect the Mercari business plan or the functionality of the SEFtoken.

Once issued, secondary purchases and sales of SEFtokens may be limited by State Blue Sky laws, which may limit the formation of an active secondary market or prevent the formation of an active secondary market.

Since the Issuer does not currently intend to list the SEFtokens on a national securities exchange, the Issuer will be required to comply with the Blue Sky laws for each State in which secondary trading is to occur. The State Blue Sky filing process can be time consuming and there can be no assurance that we will be able to successfully obtain Blue Sky clearance in all the States where Holders reside. Holders residing in States where we have not received Blue Sky clearance will have limited ability to resell their SEFtokens in or from those States.

Holders face the risk of unauthorized access to their crypto-wallet and may lose access to their SEFtokens if they lose their crypto-wallet private key or password.

SEFtokens Holders will be subject to the risk of unauthorized third parties gaining access to their crypto-wallet through security breaches which could enable such third party to download the crypto-wallet and potentially access the crypto-wallet by deciphering or cracking the Holder’s password. In such event the Holder may lose access to any SEFtokens held in the crypto-wallet and lose their entire investment. Further, if a Holder does not maintain an accurate record of the Holder’s password and

losses the password to the crypto-wallet, the Holder will lose access to the SEFtokens held in the crypto-wallet, and, as a result, lose his or her investment.

The Ethereum blockchain upon which the Issuer intends to base SEFtokens is subject to the risk of mining attacks.

As with other distributed ledger technologies, it is the view of the Issuer that the Ethereum blockchain which is intended to be used as the basis for the SEFtokens is susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks, "selfish-mining" attacks, and race condition attacks. Any successful attacks present a risk to the Ethereum blockchain, expected proper execution and sequencing of ETH transactions, and expected proper execution and sequencing of contract computations, which could have an adverse effect on the value of SEFtokens. Although it is understood that EthSuisse, the non-profit governing body of Ethereum, intends to limit the risk of mining attacks by creating a blockchain proof-of-work security algorithm using a unique implementation of a GHOST-like protocol and possibly an implementation of hybrid proof-of-stake that could reduce the risk of mining attacks, there can be no assurance that such measures will successfully defend against known or novel mining attacks.

Mercari Operational Risks

Mercari has generated only very moderate revenue while it has been building its existing propriety technology and FMI, which makes it hard to evaluate its ability to generate revenue through its planned expansion.

While Mercari has been operating as a fully regulated financial market since 2005, it has had limited revenues. Management and shareholders have been focused on building proprietary functional FMI and keeping relevant in relation to the changing global regulatory and product landscape. All funds received through the payment of the Share Subscription Consideration from the Issuer will be dedicated to expansion of its current operations and none of the proceeds will be used for repayment of debt.

Mercari's proposed changes to its current business model and its FMI make it difficult to evaluate its future prospects. Mercari may encounter risks and difficulties frequently experienced by established companies expanding their operations in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of its limited resources, gaining market acceptance, managing a complex regulatory landscape and developing new products. Mercari's current operating model may require changes in order for it to scale its operations efficiently. Purchasers should consider Mercari's business and prospects in light of the risks and difficulties it faces in transforming and leveraging its current operational market expansion, both organically and through strategic Joint Ventures, in the field of financial technology.

Mercari may not successfully further develop Mercari's FMI to facilitate the Mercari DLT Execution System.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products and has successfully developed its eSEF Exchange Trading Platform, Mercari remains in the preliminary stages of developing an integrated DLT-enabled clearing and settlement system for its existing approved financial products, and the Mercari DLT Execution System may never eventuate.

In addition, the development of the Mercari DLT Execution System would require significant capital funding, and Mercari's management expertise, time and effort, in order to be successful. Mercari may have to make changes to the specifications of the Mercari DLT Execution System for any number of reasons or Mercari may be unable to develop the Mercari DLT Execution System in a way that realizes those specifications or in any form of a functioning network. The Mercari DLT Execution System, if successfully developed and maintained, may not meet purchaser expectations at the time of purchase of SEFtokens—for example, there can be no assurance that the Mercari DLT Execution System will prove less expensive or more efficient than counterparty risk that is possible on currently available trading platforms for traditional securities. Furthermore, despite good faith efforts to develop and complete the launch of the Mercari DLT Execution System and subsequently to maintain the Mercari DLT Execution System, it is still possible that the Mercari DLT Execution System will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Mercari DLT Execution System and the value of SEFtokens.

Mercari may, but is not obligated to, use the proceeds of this Offering (subject to Mercari's other obligations described under "Use of Proceeds") to make significant investments to develop and launch a viable Mercari DLT Execution System and subsequently to build a fulsome network upon which users can realize utility and value. Mercari may not have or may not be able to obtain the technical skills, expertise or regulatory approvals needed to successfully develop the Mercari DLT Execution System and progress it to a successful launch. While Mercari has sought to retain and continue to competitively recruit experts, there may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain the Mercari DLT Execution System. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain the Mercari DLT Execution System. Addressing such considerations will require significant time and resources. There can be no assurance that Mercari will be able to develop a Mercari DLT Execution System that achieves Mercari's goals and satisfies the complex regulatory requirements applicable to ASIC-licensed exchanges and/or permitted alternative trading systems. If Mercari is not successful in its efforts to develop a Mercari DLT Execution System that is compliant with all regulatory and legal requirements and to demonstrate to users the utility and value of a token trading system, it may be impermissible to launch the Mercari DLT Execution System or

there may not be sufficient demand for the launch of the Mercari DLT Execution System to be commercially viable. As a result, or if the launch does not occur, purchasers of the SEFtokens may lose all of their investment.

Mercari may not successfully further develop Mercari's FMI to operate a Tokenized Securities Market using DLT for clearing of tokenized securities.

Mercari remains in the preliminary stages of development of the Mercari Tokenized Securities Market, and the Mercari Tokenized Securities Market may never be developed.

In addition, the development of the Mercari Tokenized Securities Market would require significant capital funding, and Mercari's management expertise, time and effort, in order to be successful. Mercari may have to make changes to the specifications of the Mercari Tokenized Securities Market for any number of reasons or Mercari may be unable to develop the Mercari Tokenized Securities Market in a way that realizes those specifications or in any form of a functioning network. It is possible that the Mercari Tokenized Securities Market may not ever be released and there may never be an operational market for tokenized securities, or the launch of the Mercari Tokenized Securities Market may never occur. The Mercari Tokenized Securities Market, if successfully developed and maintained, may not meet purchaser expectations at the time of purchase of SEFtokens—for example, there can be no assurance that the Mercari Tokenized Securities Market will prove less expensive or more efficient trading than is possible on currently available trading platforms for traditional securities. Furthermore, despite good faith efforts to develop and complete the launch of the Mercari Tokenized Securities Market and subsequently to maintain the Mercari Tokenized Securities Market, it is still possible that the Mercari Tokenized Securities Market will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively impact the Mercari Tokenized Securities Market and SEFtokens.

Mercari may, but is not obligated to, use the proceeds of this Offering (subject to Mercari's other obligations described under "Use of Proceeds") to make significant investments to develop and launch a viable Mercari Tokenized Securities Market and subsequently to build a fulsome network upon which users can realize utility and value. Mercari may not have or may not be able to obtain the technical skills, expertise or regulatory approvals needed to successfully develop the Mercari Tokenized Securities Market and progress it to a successful launch. While Mercari has sought to retain and continue to competitively recruit experts, there may, from time to time, be a general scarcity of management, technical, scientific, research and marketing personnel with appropriate training to develop and maintain the Mercari Tokenized Securities Market. In addition, there are significant legal and regulatory considerations that will need to be addressed in order to develop and maintain the Mercari Tokenized Securities Market, and addressing such considerations will require significant time and resources. There can be no assurance that Mercari will be able to develop the Mercari Tokenized Securities Market that achieves its goals and satisfies the complex regulatory requirements applicable to ASIC supervised exchanges. If Mercari is not successful in its efforts to develop the Mercari Tokenized Securities Market that is compliant with all regulatory and legal requirements and to demonstrate to users the utility and value of Mercari Tokenized Securities Market, it may be impermissible to launch the Mercari Tokenized Securities Market or there may not be sufficient demand for the tokenized securities for the launch of the Mercari Tokenized Securities Market to be commercially viable. As a result, or if the launch does not occur, purchasers of the SEFtokens may lose all of their investment.

Mercari's proposed expansion of its existing its FMI to incorporate the Mercari DLT Execution System is dependent on continued investment in and development of distributed ledger technologies and other technologies to allow for real time clearing and settlement of trades of currently regulated and approved financial products.

Mercari's expansion plans will be dependent on continued investment in and development of distributed ledger technologies. The result of this continued development and its ultimate use in the regulated market will necessitate regulatory oversight and government approvals. If, as a result of regulatory changes or decisions, hackers, general market conditions or innovations, investments in distributed ledger technologies become less attractive to purchasers or innovators and developers, it could have a material adverse impact on our prospects and possibly our ability to continue our developmental operations. It is not possible to accurately predict the potential adverse impacts on us, if any, of current economic conditions on our prospects.

There is a risk that competitors may develop and launch alternative blockchain-based tokenized securities networks prior to the completion and launch of the Mercari Tokenized Securities Market.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products, following the completion of this Offering, there is a risk that competitors may develop and launch alternative blockchain-based securities networks, offering functionality similar to what Mercari is proposing, prior to the development and launch of the Mercari Tokenized Securities Market. These alternative networks may also be Ethereum-based networks using same open source code and open source protocol that Mercari is considering. The launch of any such networks may impact on market acceptance of Mercari's DLT-enabled clearing and settlement FMI if and when launched which could have a material adverse effect on our prospects and the prospects of Mercari's proposed expansion of its current operations.

The proposed innovation of Mercari's FMI is in the development stage and some concepts are new and untested and may not achieve market or regulatory acceptance.

Mercari's continued development of its FMI to create the Mercari DLT Execution System for its existing trading of financial products is new and is currently in the planning stages. There can be no assurance that Mercari DLT Execution System will be operational, or if it does become operational, that it will achieve market acceptance or regulatory approval. Purchasers acquiring SEFtokens will bear the risks of investing in a novel untested type of DLT-enabled clearing and settlement function.

The further expansion of the Mercari's FMI with a view to creating the Mercari Tokenized Securities Market is new and is currently in the planning stages. There can be no assurance that our proposed DLT-enabled Mercari Tokenized Securities Market will be operational, or if it does become operational, that it will achieve market acceptance or regulatory approval. Purchasers acquiring SEFtoken will bear the risks of investing in a novel untested type of securities transaction.

Some market operators and participants may oppose the development of distributed ledger technology or blockchain-based systems similar to those central to Mercari's commercial mission.

Many market operators and market participants in the U.S. and Australia may oppose the development of capital markets systems and processes that utilize DLT and blockchain-based systems. The market participants who may oppose such a system may include market participants with significantly greater resources, including financial resources and political influence, than Mercari. The ability of Mercari to operate and achieve its commercial goals could be adversely affected by any actions of any such market participants that result in additional regulatory requirements or other activities that make it more difficult for Mercari to operate, which could have a material adverse effect on Mercari's operations and financial conditions.

The proposed Mercari Tokenized Securities Market may be vulnerable to hackers and cyber-attacks.

The proposed Mercari Tokenized Securities Market will be internet-based, which may make Mercari vulnerable to hackers who may illegally access the data of Mercari. Such illegal access cause significant disruption to Mercari's operations. SEFtokens Holders could lose trust and confidence in Mercari's business, which could result in Mercari having to cease operations. In addition, Mercari may intend to rely on third-party technology providers to provide Mercari with the various elements of the proposed Mercari Tokenized Securities Market. Any disruptions of services or cyber-attacks on third party technology providers could harm the Issuer's and Mercari's reputation and materially and negatively impact their prospects.

While Mercari has an existing functional marketplace for approved and regulated financial products, the global tokenized securities markets in which Mercari intends to compete is subject to rapid innovation and change and there is a risk that changes or innovations in the tokenized securities and assets markets may occur while Mercari is continuing development of the Mercari proprietary technology which could render its proposed business in tokenized securities and assets markets model and technology obsolete.

Since its inception, the DLT-enabled market in general and the tokenized securities and securities market in particular, has been characterized by rapid changes and innovations and is constantly evolving. As a result, there is a risk that during the time that Mercari is continuing to develop its FMI, there may occur changes or innovations which may render Mercari's proposed business model and technology obsolete. If Mercari is not able to adapt to such changes or innovations, Mercari may not be able to generate sufficient interest in either the Mercari DLT Execution System or the Mercari Tokenized Securities Market, which would have a material adverse effect on Holders' investment.

Mercari expects to face significant competition.

Notwithstanding that Mercari already holds a Market Licence for the regulated trading of certain financial products and has a long history of compliance with Australian securities laws and regulations as they relate to regulated Market Licences, the Issuer and Mercari believe that there will be a variety of competitors in the market as well as likely new entrants that will attempt to emulate the proposed Mercari DLT Execution System and Mercari Tokenized Securities Market. Some of these new entrants could follow a regulatory model that is different from Mercari's which might provide them with competitive advantages over Mercari. New entrants could include those that may already have a foothold in the securities industry, including some established broker-dealers. Further, Mercari may have to compete with a number of market participants, including alternative trading systems, traditional venture capitalists, and crowdfunding platforms. Some current competitors and future competitors may be better capitalized than Mercari or have greater resources which could give them a significant advantage in marketing and operations.

In order for Mercari to implement its expansion of the current Mercari proprietary technology to incorporate the Mercari DLT Execution System and the Mercari Tokenized Securities Market, Mercari must expand its existing development teams and identify, recruit, retain and develop the necessary personnel with the requisite technological background and experience.

In order for Mercari to implement its business plan, Mercari will need to identify and recruit highly qualified personnel with backgrounds in developing DLT applications and who have skills required for developing and managing developmental stage businesses. Mercari believes it may face intense competition for personnel. If Mercari is not able to identify and recruit the necessary personnel to implement its expansionary plans business, Holders may lose some, most or all of their investments.

Mercari has not identified all the persons that it will need to engage in order to provide services and functions critical to the expansion of the Mercari proprietary technology and no assurance can be given that it will be able to engage the necessary persons on acceptable terms, if at all.

Notwithstanding that Mercari already has an experienced development team who has built its FMI, Mercari's expansion projects are at developmental stages, and Mercari have not identified all the persons that it will need to engage to provide services and functions critical to the development the Mercari DLT Execution System and the Mercari Tokenized Securities Market. Mercari cannot provide assurances that it will be able to engage persons with the necessary expertise on terms acceptable to Mercari, if at all. Further, no assurance can be given that even if Mercari is able to engage such service providers, that they will be able to provide the services and functions meeting Mercari's specifications and requirements. If Mercari fails to identify and engage such service providers, or if the providers fail to meet Mercari's specifications and requirements, it could have a material adverse effect on its ability to develop and launch Mercari DLT Execution System and the Mercari Tokenized Securities Market.

There is no assurance that Purchasers of the SEFtokens will receive a return on their investment.

The SEFtokens are highly speculative and any return on an investment in the SEFtokens is contingent upon numerous circumstances, many of which (including legal and regulatory conditions) are beyond the Issuer's and Mercari's control. There is no assurance that Purchasers will realize any return on their investments or that their entire investments will not be lost. For this reason, each Purchaser should carefully read this Memorandum and should consult their own attorney, financial and tax advisors prior to making any investment decision with respect to the SEFtokens. Purchasers should only make an investment in the SEFtokens if they are prepared to lose the entirety of such investment.

Mercari's management will have broad discretion over the use of the net proceeds from this Offering.

The Issuer's obligations with respect to the proceeds is clear and absolute. The proceeds of the Offerings are expected to be used (i) for payment of the Share Subscription Consideration to Mercari (see SISA); (ii) for general corporate purposes for the administration of the Issuer to provide services to Holders until the Expiry Date; and (iii) expenses relating to the Offering and other legal and accounting expenses. The failure by the Issuer's management to apply these funds effectively could have a material adverse effect on the Issuer and the value of the SEFtokens.

Share Subscription Consideration paid to Mercari for the subscription of Shares necessary for the creation of the covered warrants and issuance of SEFtokens will be used by Mercari for the designated purposes outlined in the Use of Proceeds and these include general corporate purposes, which may encompass capital expenditures, acquisitions, cybersecurity upgrades, augmenting technology, infrastructure and personnel, development of products and services, short term investments, engaging with lawmakers and regulatory authorities for the purpose of bringing about changes to laws and regulations related to blockchain technologies, particularly with regards to securities tokens, and expenses related to the Offering and other legal and accounting expenses. The failure by Mercari's management to apply these funds effectively could have a material adverse effect on Mercari and the value of the SEFtokens and Shares.

Purchasers may lack information for monitoring their investment.

The SEFtokens do not have any information rights attached to them (other than certain rights to Issuer information afforded Holders under Delaware law), and Purchasers may not be able to obtain all the information they would want regarding the Issuer or the SEFtoken. In particular, purchasers may not be able to receive information regarding the financial performance of the Issuer and Mercari with respect to the ability of Mercari to pay dividends on the Shares. The Issuer is not currently registered with the SEC and currently has no periodic reporting requirements. As a result of these difficulties, as well as other uncertainties, a Purchaser may not have accurate or accessible information about the Issuer, Mercari or the SEFtokens.

Mercari's business focus will expand to incorporate the Mercari DLT Execution System and the Mercari Tokenized Securities Market, which makes it hard to evaluate its ability to generate revenue through its expanded operations.

Mercari's expansion of its FMI to incorporate the Mercari DLT Execution System and the Mercari Tokenized Securities Market may encounter, risks and difficulties frequently experienced by established companies in rapidly developing and changing industries, including challenges in forecasting accuracy, determining appropriate investments of its limited resources, gaining

market acceptance, and developing new products. Mercari's current operating model may require changes in order for it to scale its operations efficiently. Purchasers should consider Mercari's business and prospects in light of the risks and difficulties it faces as an early adopter cum adapter of DLT to provide market participants with T+0 clearing and settlement and the focus on developing products for tokenized securities trading, both organically and through strategic acquisitions.

There is no assurance that Mercari will be able to continue as a going concern.

Although Mercari anticipates the proceeds from the Share Subscription Consideration will provide sufficient liquidity to meet its operating commitments for a minimum of seven (7) years, there is no guarantee Mercari will be successful in achieving its objectives.

If SEFtokens are converted for Shares, Mercari does not expect to pay any dividends for some time into the future.

If and when Purchasers become SEFtokens Holders pursuant to the STPA, the terms of such SEFtokens will be set out in the Smart Contract. The SEFtokens are covered warrants and have no rights to dividends. If converted for Shares, dividends payable in-kind, in AUD, U.S. Dollars, bitcoin or Ether, in Mercari's sole discretion, will be paid only out of funds lawfully available for such payment, and only if declared by the Board. The Board has no obligation to announce dividends. Currently, Mercari does not expect to be in a position to pay dividends for some time into the future and can provide no assurances as to when dividends might first be paid, if ever.

Dividends made pursuant to the terms of the Shares may detract from the capital Mercari could otherwise deploy to improve its business.

Following the exercise of the warrant right to convert SEFtokens into Shares, holders of the Shares may be entitled to receive dividends if and when such dividends are announced by the Board out of funds lawfully available. (See the section "Structure & Terms of the Securities.") Any capital used to pay dividends detracts from the capital available to Mercari to deploy in developing its business. Diverting the funds from Mercari's operations may put Mercari at a significant disadvantage in comparison to its competitors who do not make similar dividend payments. This disadvantage may have an adverse impact on the operations and financial conditions of Mercari.

Holders will not have voting rights and will generally have no ability to influence the decisions of the Issuer or Mercari.

SEFtokens are covered warrants and not Shares. Holders of SEFtokens have no voting rights. As a result, Holders will have no ability to elect directors.

Once SEFtokens are converted to Shares, holders of Shares will have voting rights consistent with ordinary shareholders of Mercari.

The SEFtokens have no Price history.

The SEFtokens will be newly formed and have no operating history and are entirely novel in type. Purchasers will not be able to compare them against other like instruments. An investment in SEFtokens should be evaluated on the basis of the value and prospects of the SEFtokens, taking into account that the prospects of the Issuer's or Mercari's businesses may not prove accurate, and that the Issuer and Mercari may not achieve their objectives. Past performances of the Issuer or Mercari, or any similar token or STPA issued by other companies, is not predictive of the Issuer's or Mercari's future results, the value and success of the SEFtokens or Shares, or the ability of the Issuer or Mercari to ever pay dividends.

The further development and operation of the existing Mercari FMI requires, and any additional functionality for the FMI that may be developed in the future will likely require, technology and intellectual property rights.

The ability of Mercari to develop and operate the existing Mercari FMI and any future software that may be developed in the future may depend on technology and intellectual property rights that the Mercari may license from unaffiliated third parties. If for any reason Mercari were to fail to comply with its obligations under the applicable licence agreement, or were unable to provide or were to fail to provide the technology and intellectual property that existing Mercari FMI or any future product requires, they would be unable to operate, which would have a material adverse effect on Mercari's operations and financial conditions.

The SEFtokens are covered warrants over Shares, not equity interests in the Issuer or Mercari.

SEFtokens are not equity interests in either the Issuer or Mercari. The SEFtokens or Shares place no restrictions on the business or operations of the Issuer or Mercari or on their ability to incur additional indebtedness or engage in any transactions.

In addition, if payment of a dividend on the Shares for any period would cause Mercari to fail to comply with any applicable law or regulation, Mercari will not pay a dividend for such period and no dividend will accrue, accumulate or be payable for that dividend period.

The Shares may have lower priority to certain rights and preferences than future tokens or preferred stock of Mercari.

The Shares may have lower priority to certain rights and preferences than other tokens and/or preferred stock that Mercari issues in the future. The terms of any future tokens and/or preferred stock that are higher priority than the Shares may restrict dividend payments on the Shares. In this case, unless full dividends for all such outstanding tokens and preferred stock with higher priority than the Shares have been announced and paid or set aside for payment, no dividends will be announced or paid and no distribution will be made on any Shares, and no Shares will be permitted to be repurchased, redeemed or otherwise acquired by Mercari, directly or indirectly, for consideration. This could result in dividends on the Shares not being paid to purchasers or Shares not being redeemed.

Violation of privacy or data protection laws could have a material adverse effect on Mercari and the value of the SEFtoken.

The Issuer, Mercari and advisors are subject to applicable privacy and data protection laws and regulations. Any violations of laws and regulations relating to the safeguarding of private information could subject the Issuer, Mercari or advisors, or any of them, to fines, penalties or other regulatory actions, as well as to civil actions by affected parties. Any such violations could adversely affect the ability of the Issuer or Mercari to operate the Mercari Tokenized Securities Market, which could have a material adverse effect on Mercari's operations and financial conditions.

Strategic Regulated Market Infrastructure Joint Ventures with newly formed ventures.

While Mercari's management will carefully vet Joint Venture partners for strategic use of Mercari's IP and ensure projects satisfy Mercari's strict compliance as a regulated entity, the concept of creating a DLT-based trading and settlement network for regulated markets is currently in the planning stages. There can no assurances that Joint Venture projects will achieve operational status, or if they do become operational, that they will achieve market acceptance or regulatory approval. Purchasers acquiring SEFtokens will bear the risks of exposure and diversification into new markets for regulated products.

Strategic Joint Ventures may detract from the capital that Mercari could otherwise deploy to improve its business or to develop the Mercari Tokenized Securities Market and the Mercari DLT Execution System.

Mercari is pursuing several strategic JV investments and potential acquisitions that it believes will promote the long-term growth objectives of Mercari. Nevertheless, any capital used to finance such strategic investments and acquisitions detracts from the capital available for Mercari to deploy in operating its existing businesses and developing the Mercari Tokenized Securities Market and the Mercari DLT Execution System.

Selected Historical Financial Statements

The following tables set forth Mercari's selected consolidated financial data and other operating data for the fiscal years presented (the values are in AUD). This information is derived from Mercari's audited consolidated financial statements that are included elsewhere in this Memorandum. The audited accounts are filed each year with ASIC together with Mercari's Annual Regulatory Report as part of its ongoing compliance. This summary is not meant to be a comprehensive statement of Mercari's audited financial results for these periods and these results are not necessarily indicative of results for future periods. The financial statements have been prepared in accordance with Australian Government-endorsed Australian Accounting Standards (the "AAS"). The data set forth below should be read in conjunction with the audited consolidated financial statements, related notes and other financial information included elsewhere in this Memorandum.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018	**2017**
		$	**$**
Revenue		130,831	125,596
Loan Forgiven		-	835,679
Employment costs		(325,893)	(414,600)
Telecommunications		(8,391)	(24,302)
Occupancy expenses		(43,248)	(39,066)
Professional fees		(12,269)	(11,066)
Market operating fees		(49,751)	(59,154)
Other expenses		(65,916)	(59,510)
Profit/(Loss) before income tax		(374,637)	353,577
Income tax expense		(1,784)	-
Profit/(Loss) for the year		(376,421)	353,577
Other comprehensive income for the year			
Total comprehensive profit/(loss) for the year		(376,421)	353,577

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018	**2017**
		$	**$**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		137,962	106,879
Payments to suppliers and employees		(492,570)	(583,598)
Interest received		1,182	1,519
Net cash used in operating activities		(353,426)	(475,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings from related parties		349,306	524,501
Net cash provided by financing activities		349,306	524,501
Net Increase (decrease) in cash held		(4,120)	49,301
Cash at beginning of financial year		286,084	236,783
Cash at end of financial year		281,964	286,084

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018	**2017**
		$	**$**
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		281,964	286,084
Trade and other receivables		34,390	29,738
Other assets		120	3,925
Tax asset		467	467
TOTAL CURRENT ASSETS		316,941	320,214
NON-CURRENT ASSETS			
Deferred tax asset		-	1,784
TOTAL NON-CURRENT ASSETS		-	1,784
TOTAL ASSETS		316,941	321,998
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		116,972	98,388
Provisions		18,761	21,620
TOTAL CURRENT LIABILITIES		135,733	120,008
NON-CURRENT LIABILITIES			
Financial liabilities		6,130,812	5,781,506
Provisions		51,345	45,012
TOTAL NON-CURRENT LIABILITIES		6,182,157	5,826,518
TOTAL LIABILITIES		6,317,890	5,946,526
DEFICIENCY OF NET ASSETS		(6,000,949)	(5,624,528)
EQUITY			
Issued capital		290,026	290,026
Accumulated losses		(6,290,975)	(5,914,554)
TOTAL EQUITY		(6,000,949)	(5,624,528)

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USE OF PROCEEDS

The Issuer's obligations with respect to its use of proceeds is clear and absolute. The proceeds of the Offering are expected to be used (i) for payment of the Share Subscription Consideration to Mercari (see SISA); (ii) for general corporate purposes for the administration of the Issuer to provide services to Holders until the Expiry Date and (iii) expenses relating to the Offering and other legal and accounting expenses.

Mercari's management will have broad discretion in the application of the Share Subscription Consideration and purchasers will have to rely upon their judgment.

At present, the Share Subscription Consideration are expected to be used for (i) the development the Mercari DLT Execution System; (ii) the development of the Mercari Tokenized Securities Market; (iii) the Joint Ventures; (iv) general corporate purposes, which may include capital expenditures, acquisitions, cybersecurity upgrades, augmenting technology, infrastructure and personnel, development of products and services, and short term investments for the increased distribution of Mercari's current suite of approved financial products; and (vi) engaging with law makers and regulatory authorities for the purpose of bringing about changes to laws and regulations related to blockchain technologies, particularly with regards to tokenized securities.

If the Maximum Amount of SEFtokens offered hereunder are purchased (Hard Cap), Mercari will expect to receive Share Subscription Consideration of approximately USD 116,000,000. However, the Issuer cannot guarantee that it will sell all of the SEFtokens on offer. The following table summarizes how Mercari anticipates using the Share Subscription Consideration, depending upon whether the Offering reaches a Soft, Mid or Hard Cap:

	Soft Cap	Mid Point	Hard Cap
Issuer Use of Funds			
Exchanged Purchaser Commitment Amount (SEFtoken Sales)	**$ 31,250,000**	**$ 78,125,000**	**$ 125,000,000**
Token Issuance Tokenization Costs (1)	$ 633,750	$ 774,375	$ 915,000
Issuer Management Costs (2)	$ 595,000	$ 595,000	$ 595,000
Offering Costs (including Dealer/Broker arrangements)	$ 1,875,000	$ 4,687,500	$ 7,500,000
Total Issuer Costs	**$ 3,103,750**	**$ 6,056,875**	**$ 9,010,000**
Share Subscription Consideration	**$ 28,146,250**	**$ 72,068,125**	**$ 115,990,000**
Mercari Use of Funds			
Held for the significant regulatory capital and additionally the working capital to further expand and develop the current operational eSEF infrastructure. Build and deploy the Mercari DLT Execution System to cater for T+0 settlement on existing ASIC approved financial products as well as development of the Mercari Tokenized Securities Market being development of the proprietary DLT platform for trading of financial products and tokenized Securities (subject to regulatory approval).	$ 15,480,438	$ 36,034,063	$ 52,195,500
Legal and Regulatory work on regulatory applications for license variation, rule changes and other regulatory applications for the approval of the listing of the meta class of tokenised securities. Design and development of new product categories to cater for Australian regulated framework	$ 2,814,625	$ 6,486,131	$ 8,119,300
Participation and joint venture in regulated market infrastructure projects in first world jurisdictions.	$ 7,036,563	$ 23,782,481	$ 46,396,000
Investment in FMI connectivity for expansion of sales distribution into global markets for current and proposed digital products (subject to regulatory approval) and general marketing for the exchange infrastructure.	$ 2,814,625	$ 6,486,131	$ 9,279,200

Notes

(1) Includes maintenance of smart contracts issuance platform for full life of SEFtokens (7 Years after issuance).
(2) Operational costs for Issuer over 7 years.

DIRECTORS AND MANAGEMENT OF THE ISSUER

Directors and Management Experience

Brian Price, Executive Director

Mr Price is currently the founder and Executive Chairman of the Financial and Energy Exchange Ltd. He has also been a director of Mercari since it commenced operations in 2005 as a licensed FMI. Mr. Price was also a founding shareholder in one of the leading licensed Australian electronic stockbrokers, OpenMarkets Pty Ltd.

As a school student Mr. Price made his first foray into trading securities, agricultural futures and precious metals having kept trading advices from as far back as when he was a 13 year old. What could be described as his formal career commenced in 1983 at the Bank of New York-owned, Australian-based official interest rate dealer, Trans City Holdings. Trans City Holdings was an official interest rate dealer authorised to quote to government and was also a very early global interest rate swap, futures, currency and options market maker/dealer. In 1988 he opened his own proprietary options market making, futures trading and financial product investment firm.

Fast-forward 30 years to 2018 and Mr. Price has initiated tens of thousands of trading orders, traded tens of millions of futures and options, with billions of dollars in face value. The exchanges that he has traded on included the CME, LIFFE, ICE, Matif, Monep, KSE, NYMEX, COMEX, CBOT, SGX, SFE, ASX, NYSE, Deutche Bourse, CBOE, NASDAQ, Osaka, HKSE, Eurex, LME and NSX. Products (cleared and bilateral) included but were not limited to the SPI 200, S&P 500 (big and mini), Bank Bills, Treasury Notes, JGB (LIFFE and OSAKA), Nikkei, Bund, French Bonds, Italian BTPs, currencies (futures and swap), DAX, HKSE index, FTSE, Dow Futures, NASDAQ futures, US equities, Australian Equities, Japanese Nikkei warrants, agricultural futures, precious and base metals futures and credit swaps. Strategies included index arbitrage, clearing house arbitrage, options market making, structuring synthetic derivatives, box arbitrage, cash and carry, swaptions, covered warrants, basis trading, intra month spreading, caps collars, HFT, algorithmic. He also traded by open outcry (12 years on trading floor), telephone, squawk box, telex, DMA via ISV or third party multi broker execution.

In 2003 Mr. Price turned his attention to financial market infrastructure and in 2006 became the Founder and Chief Executive Officer of the Financial & Energy Exchange Limited, owner of a fully integrated Australian futures market due to open in 2019, as well as a director of Mercari Pty Limited, the FMI which is the underlying asset of the SEFtoken warrant. Mr. Price's 35 years of combined experience in financial trading and building an FMI from the ground up provides him with a thorough understanding of the regulatory compliance, market connectivity and overall strategy required to establish a FMI for tokenized securities.

Mr. Price has a Bachelor of Commerce (accounting and information systems) 1982 and a Masters of Commerce (Tax and Finance) 1983, both from the University of New South Wales.

Anthony Waller, Executive Director

Mr. Waller commenced corporate life in 1985 in the Taxation Division of Arthur Young (now Ernst & Young). From 1992 to 2000 he led his own advisory firm specializing in Research and Development accounting and tax advice for global technology firms with an Australian presence and those seeking one.

As so often happens the client hires the advisor and in 2001 after advising on a due diligence for an AIM listed corporation on an Australian acquisition, the corporation appointed Mr. Waller, CFO, COO and Legal Counsel of its newly formed Australian operation.

By 2005 the corporation was Australia's largest operating transaction-based business in its chosen regulatory compliant market. As COO, Mr. Waller worked closely with the technology teams to design and build the business' propriety trading applications that accepted transactions, managed risk, settled transactions and instantly reflected these actions in integrated accounting and client interfaces. Its high standard of compliance allowed it to be the world's first of its kind to offer PayPal as a client payment method after satisfying the strict regulatory requirements of PayPal's U.S. jurisdictional oversight.

From 2001 to 2014, Mr. Waller oversaw the company's legal and regulatory obligations, financial management platform operations and M&A strategy and by 2012 revenues grew to AUD 2.8 billion with the business being acquired in 2013 for AUD 760 million.

Since 2014, Mr. Waller has focused on FMIs using his experience in technology, market ideology and needs for strategies to focus attention on liquidity while maintaining strict regulatory compliance. Mr. Waller has gained experience as CEO of IR Plus Securities Exchange Limited (a former Australian Market Licence holder) and is currently Legal Counsel for Financial and Energy Exchange Limited (a significant shareholder in Mercari and an Australian Market Licence holder).

Mr. Waller's experience in building corporations that have seen significant shareholder return in adaptive markets and technologies means he welcomes the challenge of creating market structures uniquely adaptable to Tokenized Securities Markets.

Mr. Waller holds a Bachelor of Economics and Finance from Macquarie University, a Bachelor of Laws from UTS Sydney and is admitted to the Supreme Court of New South Wales as a Legal Practitioner with a current Practicing Certificate.

Mitchell Brown, Chief Operating Officer

Mr. Brown has more than 15 years of experience in corporate finance, having worked in M&A and strategy for clients in a range of industries including FMIs, agriculture, mining and technology. He has worked in and consulted to a number of start-ups and established businesses and has most recently focused on the cross section of market infrastructures and technology. Mr. Brown's expertise is in enabling connectivity between market users and market operators to ensure connectivity matches with user demands to provide efficient trading. He is also proficient in web and cloud-based technologies together with a practical understanding of DLT and its applications to market infrastructures. Mitchell brings this experience to SEFtoken, as well as providing a range of hands-on capabilities allowing SEFtoken to quickly and effectively develop its offering in-house.

Mr. Brown has a degree in Agricultural Economics and a Master of Applied Finance, and has served on the board of the Alliance of International Corporate Advisors.

Weng Nian Siow, Chief Compliance Officer and General Counsel

Mr. Siow has previously practiced as a solicitor in corporate securities law and was a lecturer for 15 years in the Faculty of Law at the University of Technology Sydney, Australia, where he specialized in constitutional, corporate, securities and competition law. Mr. Siow's academic expertise in Corporate Law led him to work with Australian Market Licence holders to compile and draft complex Rule Books and Market Integrity Rules. With the development of financial applications for DLT, he has become actively involved in the crypto-blockchain cum DLT space since 2016, advising members of the FMI industry on DLT best use cases, applications and moving regulatory environments.

Mr. Siow has a LLB (Hons) from the University of Auckland, New Zealand and a LLM (Hons) from UTS Sydney. He is admitted to the High Court of New Zealand and the High Court of Malaya.

Issuer Directors & Management Compensation

Directors and Management of the Issuer will not be receiving any compensation from the Issuer in relation to services provided by them to undertake the Offering.

Carried Interest

Issuer Directors and Management are not entitled to additional bonuses and management fees payable by the Issuer. Additional SEFtokens will be issued to the Issuer to be distributed at the sole discretion of the Issuer for purposes including, but not limited to, incentivizing Directors, Management and key persons of Mercari in relation executing to the Mercari Business Plan to align the interests of Directors, Management and key persons of Mercari with that of SEFtoken Holders ("Carried Interest"). Directors, Management and key persons of Mercari who are entitled to Carried Interest are not entitled to bonuses and management fees other than moderate salaries. Accordingly, the Issuer will distribute at its sole discretion, the Carried Interest to Directors, Management and key persons of Mercari to ensure that Directors, Management and key persons of Mercari's interests are aligned with that of Holders.

The Carried Interest shall equal:

$$C_i = \frac{\text{Announced Amount}}{19}$$

Where

C_i is the number of SEFtokens to be issued to the Issuer as Carried Interest.

Announced Amount is the amount as published on the Issuer's website being the sum of all Purchaser Commitment Amounts prior to the Payment Date as specified in the SISA.

Carried Interest will be issued to the Issuer on the Issuance Date.

Declared Interests

Anthony Waller is a Director of the Issuer and is also Legal Counsel of the major shareholder in Mercari.

Brian Price is a Director of the Issuer, a Director of Mercari and a Director and option holder of the major shareholder of Mercari. Brian Price is also, beneficially, the largest shareholder of Mercari's major shareholder.

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PLAN OF DISTRIBUTION

STPA Purchaser Qualifications

Only persons of adequate financial means who have no need for present liquidity with respect to this purchase should consider purchasing the STPA offered hereby because: (i) a purchase of SEFtokens involves a number of significant risks (See section "Risk Factors"); (ii) the STPAs are not assignable; and (iii) there is no established trading market for SEFtokens and it is possible that one will never develop and the SEFtokens will never be tradeable or transferable. This Offering is being made as an offering that is exempt from registration under the Securities Act and applicable state securities laws.

This Offering is limited solely to purchasers who are "accredited investors" as defined in Regulation D under the Securities Act.

To be eligible to participate in the Offering, purchasers will be required to represent to the Issuer in writing that they are an accredited investor under Regulation D and to provide certain documentation in support of such representation (such required documentation to be decided by the Issuer at its sole discretion). Purchasers must also represent in writing that they are purchasing the STPA for their own account and not for the account of others and not with a view to reselling or distributing the SEFtokens.

Other Requirements

In addition to submitting documentation to confirm their status as "accredited investors" all potential purchasers of SEFtokens will need to complete requisite know-your-customer and anti-money laundering procedures in order to execute a STPA.

Selling Agents and Expenses

The Issuer may engage broker-dealers either registered under Section 15 of the Exchange Act as FINRA members or who hold appropriate licenses in other jurisdictions as required, to participate in the Offering and/or refer qualified purchasers ("**Selling Agents**") and on the sale of the SEFtokens and to pay to such Selling Agents, if any, cash commissions of up to 5% of the gross proceeds from the sales of SEFtokens placed by such Selling Agent.

In addition to the payment of Selling Agent commissions, the Issuer will be responsible for and pay all expenses relating to this Offering, including, without limitation, (a) all filing fees and expenses relating to this Offering with the SEC and the filing of the offering materials with FINRA, as applicable; (b) all fees and expenses relating to the registration or qualification of the SEFtokens if required under State Blue Sky laws, including the fees of counsel; (c) the costs of all preparing and printing of the Offering documentation; (d) the costs of encoding the terms of the warrant into a smart contract and delivering the SEFtokens; (e) fees and expenses of the any transfer agents required for the SEFtokens; and (f) the fees and expenses of accountants and the fees and expenses of legal counsel and other agents and representatives. The Issuer expects the total expenses to be paid, including Selling Agent commissions will be least USD 9,000,000 where the Maximum Amount allowed by the Offering is reached. The all expenses are set out in Use of Proceeds.

The USA PATRIOT Act

The USA PATRIOT Act is designed to detect, deter and punish terrorists in the U.S. and abroad. The Act imposes anti-money laundering requirements on brokerage firms and financial institutions. Since April 24, 2002, all U.S. brokerage firms have been required to have comprehensive anti-money laundering programs in effect. To help the purchaser understand these efforts, the Issuer wants to provide the Purchaser with some information about money laundering and the Issuer's efforts to help implement the USA PATRIOT Act.

What is money laundering?

Money laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including illegal arms sales, drug trafficking, robbery, fraud, racketeering and terrorism.

How big is the problem and why is it important?

The use of the U.S. financial system by criminals to facilitate terrorism or other crimes could taint its financial markets. According to the U.S. State Department, one recent estimate puts the amount of worldwide money laundering activity at USD 1 trillion a year.

Purchasers should check the Office of Foreign Assets Control (the "OFAC") website at http://www.treas.gov/ofac before making the following representations:

i. you represent that the amounts invested by you in this Offering were not and are not directly or indirectly derived from any activities that contravene Federal, state or international laws and regulations, including anti-money laundering laws and regulations. Federal regulations and Executive Orders administered by the OFAC prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of the OFAC-prohibited countries, territories, individuals and entities can be found on the OFAC website at http://www.treas.gov/ofac. In addition, the programs administered by the OFAC (the "OFAC Programs") prohibit dealing with individuals [(1)] or entities in certain countries, regardless of whether such individuals or entities appear on any OFAC list;
ii. you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; or (3) if privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a country, territory, entity or individual named on an OFAC list, or a person or entity prohibited under the OFAC Programs. Please be advised that the Issuer may not accept any STPA's from a prospective purchaser if such purchasers cannot make the representation set forth in the preceding sentence. You agree to promptly notify the Issuer should you become aware of any change in the information set forth in any of these representations. You are advised that, by law, the Issuer may be obligated to "freeze the account" of any purchaser, either by prohibiting additional subscriptions from it, declining any redemption requests and/ or segregating the assets in the account in compliance with governmental regulations, and that the Issuer may also be required to report such action and to disclose such purchaser's identity to the OFAC;
iii. you represent and warrant that none of: (1) you; (2) any person controlling or controlled by you; (3) if you are a privately-held entity, any person having a beneficial interest in you; or (4) any person for whom you are acting as agent or nominee in connection with this investment is a senior foreign political figure[(2)], or any immediate family[(3)] member or close associate[(4)] of a senior foreign political figure, as such terms are defined in the footnotes below; and
iv. if you are affiliated with a non-U.S. banking institution (a "Foreign Bank"), or if you receive deposits from, make payments on behalf of, or handle other financial transactions related to a Foreign Bank, you represent and warrant to the Issuer that: (1) the Foreign Bank has a fixed address, and not solely an electronic address, in a country in which the Foreign Bank is authorized to conduct banking activities; (2) the Foreign Bank maintains operating records related to its banking activities; (3) the Foreign Bank is subject to inspection by the banking

Notes:

(1) These individuals include specially designated nationals, specially designated narcotics traffickers and other parties subject to OFAC sanctions and embargo programs.
(2) A "senior foreign political figure" is defined as a senior official in the executive, legislative, administrative, military or judicial branch of a foreign government (whether elected or not), a senior official of a major foreign political party, or a senior executive of a foreign government-owned corporation. In addition, a "senior foreign political figure" includes any corporation, business or other entity that has been formed by, or for the benefit of, a senior foreign political figure.
(3) "Immediate family" of a senior foreign political figure typically includes such figure's parents, siblings, spouse, children and in-laws.
(4) A "close associate" of a senior foreign political figure is a person who is widely and publicly known to maintain an unusually close relationship with such senior foreign political figure, and includes a person who is in a position to conduct substantial domestic and international financial transactions on behalf of such senior foreign political figure.

The Issuer is entitled to rely upon the accuracy of Purchaser's representations. The Issuer may, but under no circumstances will it be obligated to, require additional evidence that a prospective Purchaser meets the standards set forth above at any time prior to its acceptance of a prospective Purchaser's subscription. Purchasers are not obligated to supply any information so requested by the Issuer, but the Issuer may reject a subscription from the Purchaser or any person who fails to supply such information.

How to Subscribe

STPas may be accessed electronically in the SEFtoken Purchaser Portal and/or will be delivered via email. Prospective Purchasers and the Issuer will review and electronically sign validated STPA documents and a final executed STPA agreement will be available to the Purchaser by accessing the SEFtoken Purchaser Portal directly or via the seftoken.io website.

The SEFtoken Issuance

If developed by the Issuer, the SEFtokens will be issued to holders of the STPAs in a transaction exempted from the registration requirements of the Securities Act pursuant to Rule 506(c) of Regulation D under the Securities Act or another available exemption. While the Issuer will use its commercially reasonable efforts to create the SEFtokens, no assurance can be given that they will ever be issued or that the Mercari Tokenized Securities Market will be developed.

On the Issuance Date, the SEFtokens will be minted and delivered to STPA holders according to the terms specific to their STPA.

Issuance of Additional SEFtokens to Existing Mercari Shareholders

Existing Mercari Shareholders have expressed their interest in participating in the SEFtoken issuance and have requested the option to tokenize part of their existing Mercari shareholding under the exact terms of the SEFtokens. The Issuer has made provisions in the Smart Contract for additional SEFtokens to be issued at Issuance Date to existing shareholders where the shareholders agree to transfer their shares to the Issuer in exchange for SEFtokens (the “Additional SEFtokens).

The issuance of Additional SEFtoken will not impact SEFtoken Purchasers who purchase SEFtokens as part of this Offering as Additional SEFtokens represent warrants over Shares which are **not** subject of this Offering.

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NOTICE TO PURCHASERS

This Offering has not been registered or qualified under the securities laws of any jurisdiction anywhere in the world. The STPAs and the SEFtokens, if issued, are being offered and sold only in jurisdictions where such registration or qualification is not required, including pursuant to applicable exemptions that generally limit the purchasers who are eligible to purchase the STPAs and the SEFtokens, if issued, and that restrict the SEFtokens' resale. **Holders of the STPAs may never offer, sell, assign, transfer, pledge, encumber or otherwise dispose of the STPAs. The SEFtokens may not be offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of except as permitted under applicable securities laws and the additional restrictions imposed on the SEFtokens hereunder. In addition, Holders will not be able to transfer their SEFtokens until the Issuer designates or creates a Designated Exchange or notifies Holders that peer-to-peer transfers will be permitted and provides Holders with the requirements and conditions to effect peer-to-peer transfers.** Furthermore, there can be no assurance that any Designated Exchange will be chosen or created or that all Holders will have access to a Designated Exchange or that peer-to-peer transfers will ever be permitted.

Neither the STPAs nor the SEFtokens, if issued, have been registered under the Securities Act or any securities laws of any state and, unless so registered, the SEFtokens may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and such other securities laws. Accordingly, the STPAs are being initially offered and sold only (1) to "accredited investors" (as defined under Regulation D), in each case, in a private transaction in reliance on, and in compliance with, the exemption from the registration requirements of the Securities Act provided by Rule 506(c) of Regulation D under the Securities Act, and (2) to persons outside the U.S. in offshore transactions in reliance upon Regulation S under the Securities Act.

As used herein, the terms "United States," "U.S. person" and "offshore transactions" have the meanings given to them in Regulation S under the Securities Act.

THIS SECURITY (THE "**STPA**"), AND ANY SEFTOKENS WHEN ISSUED PURSUANT TO IT (THE "***SEFTOKENS***"), HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY, NOR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES. EACH HOLDER OF THIS SECURITY AND SEFTOKEN,BY ITS ACCEPTANCE HEREOF REPRESENTS THAT (A) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) OR (B) IT IS NOT A "U.S. PERSON" AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH ACQUISITION IS MADE.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

FOR REGULATION D ONLY
THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE "**HOLDING PERIOD**"), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER'S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION.

A "**COMPLIANT REGULATION S SALE**" MEANS A SALE, FOLLOWING THE ESTABLISHMENT BY THE ISSUER OF A SUFFICIENT PROCESS TO VERIFY THE IDENTITY OF SUBSEQUENT HOLDERS IN ORDER TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS FOR DIVIDEND PAYMENTS (IF APPLICABLE) AND COMPLIANCE WITH APPLICABLE LAW (*E.G.,* THROUGH THE APPOINTMENT OF AN SEC-REGISTERED TRANSFER AGENT) AND NOTICE TO HOLDERS THEREOF AND OF ALL APPLICABLE CONDITIONS, (1) TO A PERSON WHO IS NOT A "U.S. PERSON" THAT OCCURS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH ALL OF THE REQUIREMENTS OF REGULATION S AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH SALE IN THE JURISDICTION IN WHICH SUCH SALE AND PURCHASE IS MADE AND (2) FOR WHICH SELLER HAS A REASONABLE BELIEF THAT EACH PERSON TO WHOM THE SEFTOKEN IS TRANSFERRED WILL BE PRESENTED WITH NOTICE SUBSTANTIALLY SIMILAR TO THE "**REGULATION S LEGEND**" AND WILL HAVE AFFIRMATIVELY SIGNALED HIS, HER OR ITS UNDERSTANDING; *PROVIDED*, THAT THE ISSUER AND THE TRANSFER AGENT, IF ANY, WITH RESPECT TO THIS SEFTOKEN SHALL HAVE THE RIGHT PRIOR TO

PERMITTING ANY SUCH COMPLIANT REGULATION S SALE OCCURRING PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AS TO THE COMPLIANCE OF SUCH COMPLIANT REGULATION S SALE WITH ALL APPLICABLE SECURITIES LAWS.

IN ADDITION, AND INCLUDING FOLLOWING THE HOLDING PERIOD, ANY AFFILIATE OF THE ISSUER (OR PERSON WHO HAS BEEN AN AFFILIATE OF THE ISSUER WITHIN THE IMMEDIATELY PRECEDING THREE MONTHS) SHALL OFFER, SELL OR OTHERWISE TRANSFER SEFTOKENS ONLY (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (III) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (INCLUDING IN ACCORDANCE WITH RULE 144, IF AVAILABLE), SUBJECT IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION. IN ADDITION, THE ISSUER WILL REQUIRE, PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (III), THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND THE ISSUER’S TRANSFER AGENT, IF ANY.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

A “COMPLIANT REGULATION S SALE” IS RELIANT ON RULE 905 REGULATION S UNDER THE SECURITIES ACT:

> §230.905 RESALE LIMITATIONS.
> EQUITY SECURITIES OF DOMESTIC ISSUERS ACQUIRED FROM THE ISSUER, A DISTRIBUTOR, OR ANY OF THEIR RESPECTIVE AFFILIATES IN A TRANSACTION SUBJECT TO THE CONDITIONS OF §230.901 OR §230.903 ARE DEEMED TO BE “RESTRICTED SECURITIES” AS DEFINED IN §230.144. RESALES OF ANY OF SUCH RESTRICTED SECURITIES BY THE OFFSHORE PURCHASER MUST BE MADE IN ACCORDANCE WITH THIS REGULATION S (§230.901 THROUGH §230.905, AND PRELIMINARY NOTES), THE REGISTRATION REQUIREMENTS OF THE ACT OR AN EXEMPTION THEREFROM. ANY “RESTRICTED SECURITIES,” AS DEFINED IN §230.144, THAT ARE EQUITY SECURITIES OF A DOMESTIC ISSUER WILL CONTINUE TO BE DEEMED TO BE RESTRICTED SECURITIES, NOTWITHSTANDING THAT THEY WERE ACQUIRED IN A RESALE TRANSACTION MADE PURSUANT TO §230.901 OR §230.904.

FOR REGULATION S ONLY
*(THE “**REGULATION S LEGEND**”)*
THE SEFTOKENS WHEN ISSUED WILL BE ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”)) EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. EXCEPT AS SET FORTH BELOW, THE SEFTOKENS SHALL NOT BE CONVERTIBLE FOR SEFTOKENS THAT ARE NOT SUBJECT TO A LEGEND CONTAINING RESTRICTIONS ON TRANSFER UNTIL THE EXPIRATION OF THE APPLICABLE ONE-YEAR “**DISTRIBUTION COMPLIANCE PERIOD**” (WITHIN THE MEANING OF REGULATION S) AND THEN ONLY UPON CERTIFICATION IN A FORM REASONABLY SATISFACTORY TO THE ISSUER AND ITS TRANSFER AGENT, IF ANY, THAT SUCH SEFTOKENS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE “**HOLDING PERIOD**”), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER’S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE, OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.

REPRESENTATIONS AND WARRANTIES OF PURCHASERS

Each purchaser that executes a STPA will be deemed to have acknowledged, represented and warranted to, and agreed with, the Issuer as follows:

(1) It understands and acknowledges that (i) the STPAs and the SEFtokens, if issued, has not been and will not be registered under the Securities Act or any other applicable securities law, unless required by applicable law; (ii) the STPAs are being offered for sale in transactions not requiring registration under the Securities Act or any other applicable U.S. state securities law, (iii) the SEFtokens, if issued, will be issued in transactions not requiring registration under the Securities Act or any other applicable U.S. state securities law; (iv) the STPAs are non-transferable and may not be offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of; and (v) the SEFtokens may not be offered, sold or otherwise transferred or disposed of, except in compliance with the registration requirements of the Securities Act and any other applicable securities law, or pursuant to an exemption therefrom and, in compliance with the conditions for transfer set forth in paragraphs (5) and (9) below.

(2) It acknowledges that this Memorandum relates to an offering that is exempt from registration under the Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) It is:

(a) an “accredited investor” (as defined under Regulation D) acquiring the STPA, and it is aware that the STPA and the SEFtokens, if, as and when issued, are being issued in reliance on an exemption from the registration requirements of the Securities Act; or

(b) not a “U.S. person” and it is not acquiring the STPA and the SEFtokens for the account or benefit of a “U.S. person,” and it is acquiring such STPA in an offshore transaction in accordance with all of the requirements of Regulation S under the Securities Act and in accordance with the laws applicable to it in the jurisdiction in which such acquisition is made.

(4) It acknowledges that the purchase of a STPA is also the purchase of SEFtokens, if, as and when they are issued.

(5) In addition to all applicable transfer restrictions under applicable securities laws, it acknowledges and agrees that: (i) holders of the STPAs may never offer, sell, assign, transfer, pledge, encumber or otherwise dispose of the STPAs and (ii) the SEFtokens may not be offered, sold, assigned, transferred, pledged, encumbered or otherwise disposed of until such time as the Issuer (A) designates or creates a Designated Exchange and notifies Holders thereof; or (B) notifies Holders that peer-to-peer transfers will be permitted and provides Holders with the requirements and conditions to effect peer-to-peer transfers.

(6) It acknowledges that neither the Issuer, nor any of its representatives or affiliates, have made any statement, representation or warranty, express or implied, to it other than the information contained in this Memorandum, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to SEFtokens. It has had access to such financial and other information concerning the Issuer and the SEFtokens as it has deemed necessary in connection with its decision to invest, including an opportunity to ask questions of and request information from the Issuer, and such information has been made available to it.

(7) It is acquiring the STPA and the SEFtokens, if, as and when issued, for its own account, or for one or more purchaser accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of its property or the property of such purchaser account or accounts be at all times within its or their control and subject to its or their ability to resell the SEFtokens, if, as and when issued, pursuant to Rule 144A, Regulation S, or any other exemption from registration available under the Securities Act, in each case, subject to the conditions set forth in (9).

(8) Each Holder of the SEFtokens acknowledges that the Issuer is not making any representations as to the availability of the exemption provided by Rule 144 for resale of the SEFtokens, if, as and when issued.

(9) Each holder of a STPA acknowledges that:

The STPA and the Smart Contracts for each SEFtoken will contain or incorporate into its code, as the case may be, a legend substantially to the following effect:

THIS SECURITY [*i.e.*, the STPA], AND ANY SEFTOKENS WHEN ISSUED PURSUANT TO IT (THE "***SEFTOKENS***"), HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "***SECURITIES ACT***"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY, NOR ANY INTEREST OR PARTICIPATION HEREIN, MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF UNDER ANY CIRCUMSTANCES. EACH HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF REPRESENTS THAT (A) IT IS AN "ACCREDITED INVESTOR" (AS DEFINED IN REGULATION D UNDER THE SECURITIES ACT) OR (B) IT IS NOT A "U.S. PERSON" AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO IT IN THE JURISDICTION IN WHICH SUCH ACQUISITION IS MADE.

[*FOR REGULATION S ONLY (THE "**REGULATION S LEGEND**"):* THE SEFTOKENS WHEN ISSUED WILL BE ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**")) EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. EXCEPT AS SET FORTH BELOW, THE SEFTOKENS SHALL NOT BE CONVERTIBLE FOR SEFTOKENS THAT ARE NOT SUBJECT TO A LEGEND CONTAINING RESTRICTIONS ON TRANSFER UNTIL THE EXPIRATION OF THE APPLICABLE ONE-YEAR "**DISTRIBUTION COMPLIANCE PERIOD**" (WITHIN THE MEANING OF REGULATION S) AND THEN ONLY UPON CERTIFICATION IN A FORM REASONABLY SATISFACTORY TO THE ISSUER AND ITS TRANSFER AGENT, IF ANY, THAT SUCH SEFTOKENS ARE OWNED EITHER BY NON-U.S. PERSONS OR U.S. PERSONS WHO PURCHASED SUCH INTERESTS IN A TRANSACTION THAT DID NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT.

THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE "**RESALE RESTRICTION TERMINATION DATE**"), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER'S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE, OR

(C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY APPLICABLE JURISDICTION.

HEDGING TRANSACTIONS INVOLVING THE SEFTOKENS MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT.]

[*FOR REGULATION D ONLY (THE "**REGULATION D LEGEND**"):* THE HOLDER OF ANY SEFTOKENS AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SEFTOKENS, PRIOR TO THE EXPIRATION OF THE APPLICABLE ONE-YEAR HOLDING PERIOD WITH RESPECT TO RESTRICTED SECURITIES SET FORTH IN RULE 144 UNDER THE SECURITIES ACT (THE "**RESALE RESTRICTION TERMINATION DATE**"), ONLY (A) TO THE ISSUER OR ANY OF THE ISSUER'S SUBSIDIARIES, (B) PURSUANT TO A COMPLIANT REGULATION S SALE OR (C) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, SUBJECT, IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW

THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS, INCLUDING SECURITIES

LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION.]

A "**COMPLIANT REGULATION S SALE**" MEANS A SALE, FOLLOWING THE ESTABLISHMENT BY THE ISSUER OF A SUFFICIENT PROCESS TO VERIFY THE IDENTITY OF SUBSEQUENT HOLDERS IN ORDER TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS FOR DIVIDEND PAYMENTS (IF APPLICABLE) AND COMPLIANCE WITH APPLICABLE LAW (*E.G.,* THROUGH THE APPOINTMENT OF AN SEC-REGISTERED TRANSFER AGENT) AND NOTICE TO HOLDERS THEREOF AND OF ALL APPLICABLE CONDITIONS, (1) TO A PERSON WHO IS NOT A "U.S. PERSON" THAT OCCURS IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH ALL OF THE REQUIREMENTS OF REGULATION S AND IN ACCORDANCE WITH THE LAWS APPLICABLE TO SUCH SALE IN THE JURISDICTION IN WHICH SUCH SALE AND PURCHASE IS MADE AND (2) FOR WHICH SELLER HAS A REASONABLE BELIEF THAT EACH PERSON TO WHOM THE SEFTOKEN IS TRANSFERRED WILL BE PRESENTED WITH NOTICE SUBSTANTIALLY SIMILAR TO THE "**REGULATION S LEGEND**" AND WILL HAVE AFFIRMATIVELY SIGNALED HIS, HER OR ITS UNDERSTANDING; *PROVIDED*, THAT THE ISSUER AND THE TRANSFER AGENT, IF ANY, WITH RESPECT TO THIS SEFTOKEN SHALL HAVE THE RIGHT PRIOR TO PERMITTING ANY SUCH COMPLIANT REGULATION S SALE OCCURRING PRIOR TO THE RESALE RESTRICTION TERMINATION DATE TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AS TO THE COMPLIANCE OF SUCH COMPLIANT REGULATION S SALE WITH ALL APPLICABLE SECURITIES LAWS.

IN ADDITION, AND INCLUDING FOLLOWING THE EXPIRATION OF RESALE RESTRICTION TERMINATION DATE, ANY AFFILIATE OF THE ISSUER (OR PERSON WHO HAS BEEN AN AFFILIATE OF THE ISSUER WITHIN THE IMMEDIATELY PRECEDING THREE MONTHS) SHALL OFFER, SELL OR OTHERWISE TRANSFER SEFTOKENS ONLY (I) TO THE ISSUER OR ANY OF ITS SUBSIDIARIES, (II) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT OR (III) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (INCLUDING IN ACCORDANCE WITH RULE 144, IF AVAILABLE), SUBJECT IN EACH OF THE FOREGOING CASES, TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH PURCHASER ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND, IN EACH CASE, IN COMPLIANCE WITH APPLICABLE SECURITIES LAWS OF ANY U.S. STATE OR ANY OTHER APPLICABLE JURISDICTION. IN ADDITION, THE ISSUER WILL REQUIRE, PRIOR TO ANY OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (III), THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION OR OTHER INFORMATION SATISFACTORY TO THE ISSUER AND THE ISSUER'S TRANSFER AGENT, IF ANY.

THE HOLDER OF THIS SECURITY OR SEFTOKENS BY ITS ACCEPTANCE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE OR HOLD THIS SECURITY OR SEFTOKEN CONSTITUTES THE ASSETS OF AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") APPLIES (INCLUDING AN INDIVIDUAL RETIREMENT ACCOUNT), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE PLAN ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN, OR PLAN, A GOVERNMENTAL PLAN (AS DEFINED IN SECTION 3(32) OF ERISA), A CHURCH PLAN (AS DEFINED IN SECTION 3(33) OF ERISA) THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE, OR A NON-U.S. PLAN, OR (2)(A) THE HOLDER IS, OR IS USING, THE ASSETS OF A GOVERNMENTAL PLAN, A CHURCH PLAN THAT HAS NOT MADE AN ELECTION UNDER SECTION 410(D) OF THE CODE, OR A NON-U.S. PLAN AND (B) THE ACQUISITION AND HOLDING OF THIS SECURITY OR TOKEN WILL NOT CONSTITUTE A VIOLATION UNDER ANY APPLICABLE PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-
U.S. OR OTHER LAWS OR REGULATIONS THAT REGULATE SUCH PLAN'S INVESTMENTS.

(10) It agrees that it will not transfer SEFtokens unless it is given reasonable assurance that each person to whom it transfers SEFtokens receives notice of any restrictions on transfer of such SEFtokens.

(11) If it is an acquirer in a transaction that occurs outside the U.S. within the meaning of Regulation S, it acknowledges that until the expiration of the Distribution Compliance Period (as defined in Regulation S under the Securities Act), any offer or sale of the SEFtokens within the U.S. or to a U.S. Person by a dealer

(whether or not participating in the offering) may violate the registration requirements of the Securities Act.

(12) It acknowledges that the Issuer or its Transfer Agent, if any, for the SEFtokens will not be required to accept for registration of transfer any SEFtokens, except upon presentation of evidence (including an opinion of counsel) satisfactory to the Issuer and the Transfer Agent, if any, that the restrictions set out therein have been complied with.

(13) It understands that no action has been taken in any jurisdiction in the U.S. or elsewhere by the Issuer that would result in a public offering of the SEFtokens or the possession, circulation or distribution of this Memorandum or any other material relating to the Issuer or the SEFtokens in any jurisdiction where action for such purpose is required. Consequently, any transfer of the SEFtokens will be subject to the transfer restrictions set forth under this "Notice to Purchasers."

(14) It (a) is able to act on its own behalf in the transactions contemplated by this Memorandum; (b) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the SEFtokens; and (c) (or the account for which it is acting as a fiduciary or agent) has the ability to bear the economic risks of its prospective investment in the SEFtokens, and can afford the complete loss of such investment.

(15) It acknowledges that the Issuer will rely upon the truth and accuracy of the acknowledgements, representations, warranties and agreements set forth in this "Notice to Purchasers" section and agrees that, if any acknowledgements, representations, warranties and agreements deemed to have been made by its participation in the Offering are no longer accurate, it will promptly notify the Issuer.

(16) If it is acquiring the SEFtokens as a fiduciary or agent for one or more purchaser accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the acknowledgements, representations, warranties and agreements set forth in this "Notice to Purchasers" section on behalf of each such purchaser account.

(17) Either (i) the Holder is not acquiring or holding such SEFtokens or an interest therein with the assets of (A) an employee benefit plan that is subject to Part 4 of Subtitle B of Title I of ERISA; (B) a "plan" to which Section 4975 of the Code applies (including an individual retirement account); (C) an entity deemed to hold "plan assets" of any of the foregoing by reason of an employee benefit plan's or plan's investment in such entity;
(D) a governmental plan (as defined in Section 3(32) of ERISA); (E) a church plan (as defined in Section 3(33) of ERISA) that has not made an election under Section 410(d) of the Code; or (F) a non-U.S. plan; or (ii) the Holder is acquiring or holding such SEFtokens or an interest therein with the assets of (A) a governmental plan, a church plan that has not made an election under Section 410(d) of the Code, or a non-U.S. plan; and (B) the acquisition and holding of such SEFtokens by the purchaser, throughout the period that it holds the SEFtokens and the disposition of such SEFtokens or an interest therein will not constitute or result in a violation of any provisions of any applicable U.S. federal, state or local laws or non-U.S. laws that regulate such plan's investments.

Digital Notices

The SEFtokens are tokenized instruments and, as such, will not contain legends. However, purchasers (including secondary purchasers) of SEFtokens will be required to be presented with the information required to be provided to such holders pursuant to and in the manner contemplated by Section 202 and Section 151(f) of the Delaware General Corporation Law regarding, among other things, restrictions on transfer of the SEFtokens, including the legend set forth in paragraph 9 above, and, at a minimum, must affirmatively signal their understanding of the information and provide the Issuer with certain representations on their purchaser status and location. The SEFtoken Terms and Conditions will be presented at that time as well.

Selling Restrictions

No action may be taken in any jurisdiction that would permit a public offering of the SEFtokens or the possession, circulation or distribution of this Memorandum in any jurisdiction where action for that purpose is required. Accordingly, the SEFtokens may not be offered or sold, directly or indirectly, and neither this Memorandum nor any other offering material or advertisements in connection with the SEFtokens may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

FOR ALL U.S. PERSONS: The presence of a legend for any given state reflects only that a legend may be required by that state and should not be construed to mean an offer or sale may be made in a particular state. If you are uncertain as to whether or not offers or sales may be lawfully made in any given state, you are hereby advised to contact the Issuer. The securities

described in this Memorandum have not been registered under any State securities laws (Blue Sky laws). These securities must be acquired for investment purposes only and may not be sold or transferred in the absence of an effective registration of such securities under such laws, or an opinion of counsel acceptable to the issuer that such registration is not required. The presence of a legend for any given State reflects only that a legend may be required by the State and should not be construed to mean an offer of sale may be made in any particular State.

NOTICE TO ALABAMA RESIDENTS ONLY: These securities are offered pursuant to a claim of exemption under the Alabama Securities Act. A registration statement relating to these securities has not been filed with the Alabama Securities Commission. The Commission does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this private placement Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO ALASKA RESIDENTS ONLY: The securities offered have not been registered with the Administrator of Securities of the State of Alaska under provisions of 3 AAC 08.500-3 AAC 08.504. The Purchaser is advised that the Administrator has not reviewed this document since the document is not required to be filed with the Administrator. The fact of registration does not mean that the Administrator has passed in any way upon the merits, recommended, or approved the securities. Any representation to the contrary is a violation of 45.55.170. The Purchaser must rely on the Purchaser's own examination of the person or entity creating the securities and the terms of the Offering, including the merits and risks involved in making a purchase decision on these securities.

NOTICE TO ARIZONA RESIDENTS ONLY: These securities have not been registered under the Arizona Securities Act in reliance upon an exemption from registration pursuant to A.R.S. section 44-1844 (1) and therefore cannot be resold unless they are also registered or unless an exemption from registration is available.

NOTICE TO ARKANSAS RESIDENTS ONLY: These securities are offered in reliance upon claims of exemption under the Arkansas Securities Act and section 4(2) of the Securities Act of 1933. A registration statement relating to these securities has not been filed with the Arkansas Securities Department or with the Securities and Exchange Commission. Neither the Department nor the Commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved this Offering or passed upon the adequacy or accuracy of this Memorandum. Any representation to the contrary is unlawful.

NOTICE TO CALIFORNIA RESIDENTS ONLY: The sale of the securities which are the subject of this offering has not been qualified with Commissioner of Corporations of the State of California and the issuance of such securities or payment or receipt of any part of the consideration therefore prior to such qualifications is unlawful, unless the sale of securities is exempted from qualification by section 25100, 25102, or 25104 of the California Corporations Code. The rights of all parties to this offering are expressly condition upon such qualifications being obtained, unless the sale is so exempt.

NOTICE TO COLORADO RESIDENTS ONLY: The securities have not been registered under the Securities Act of 1933, as amended, or the Colorado Securities Act of 1991 by reason of specific exemptions thereunder relating to the limited availability of the Offering. These securities cannot be resold, transferred or otherwise disposed of to any person or entity unless subsequently registered under the Securities Act of 1933, as amended, or the Colorado Securities Act of 1991, if such registration is required.

NOTICE TO CONNECTICUT RESIDENTS ONLY: SEFtokens acquired by Connecticut residents are being sold as a transaction exempt under section 36-409(b)(9)(a) of the Connecticut, Uniform Securities Act. the SEFtokens have not been registered under said Act in the State of Connecticut. all investors should be aware that there are certain restrictions as to the transferability of the SEFtokens.

NOTICE TO DELAWARE RESIDENTS ONLY: If you are a Delaware resident, you are hereby advised that these securities are being offered in a transaction exempt from the registration requirements of the Delaware Securities Act. The securities cannot be sold or transferred except in a transaction which is exempt under the Act or pursuant to an effective registration statement under the Act or in a transaction which is otherwise in compliance with the Act.

NOTICE TO DISTRICT OF COLUMBIA RESIDENTS ONLY: These securities have not been approved or disapproved by the Securities Bureau of the District of Columbia nor has the Commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

NOTICE TO FLORIDA RESIDENTS ONLY: The SEFtokens described herein have not been registered with the Florida Division of Securities and Investor Protection under the Florida Securities Act. The SEFtokens referred to herein will be sold to, and acquired by the holder in a transaction exempt under section 517.061 of said Act. The SEFtokens have not been registered under said Act in the State of Florida. In addition, all offerees who are Florida residents should be aware that section 517.061(11)(a)(5) of the Act provides, in relevant part, as follows: "when sales are made to five or more persons in [Florida], any sale in [Florida] made pursuant to [this section] is voidable by the purchaser in such sale either within 3 days after the first tender of consideration is made by the purchaser to the issuer, an agent of the issuer or an escrow agent or within 3 days after the availability of that privilege is communicated to such purchaser, whichever occurs later." The availability of the privilege to void sales pursuant to section 517.061(11) is hereby communicated to each Florida offeree. Each person entitled to exercise the

privilege to avoid sales granted by section 517.061 (11) (a)(5) and who wishes to exercise such right, must, within 3 days after the tender of any amount to the U.S. Issuer or to any other agent of the Issuer (including the [selling agent] or any other dealer acting on behalf of the Issuer, the U.S. Issuer or any salesman of such dealer) or an escrow agent cause a written notice to be sent to the Issuer at the address provided in this confidential executive summary. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he must ask for written confirmation that his request has been received.

NOTICE TO GEORGIA RESIDENTS ONLY: These securities are offered in a transaction exempt from the registration requirements of the Georgia Securities Act pursuant to regulation 590-4-5-04 and -01. The securities cannot be sold or transferred except in a transaction which is exempt under the Act or pursuant to an effective registration statement under the Act or in a transaction which is otherwise in compliance with the Act.

NOTICE TO HAWAII RESIDENTS ONLY: Neither this prospectus nor the securities described herein been approved or disapproved by the Commissioner of Securities of the State of Hawaii nor has the Commissioner passed upon the accuracy or adequacy of this Memorandum.

NOTICE TO IDAHO RESIDENTS ONLY: These securities evidenced hereby have not been registered under the Idaho Securities Act in reliance upon exemption from registration pursuant to section 30-14-203 or 302(c) thereof and may not be sold, transferred, pledged or hypothecated except in a transaction which is exempt under said Act or pursuant to an effective registration under said Act.

NOTICE TO ILLINOIS RESIDENTS: These securities have not been approved or disapproved by the Secretary of the State of Illinois nor has the State of Illinois passed upon the accuracy or adequacy of the prospectus. Any representation to the contrary is unlawful.

NOTICE TO INDIANA RESIDENTS ONLY: These securities are offered pursuant to a claim of exemption under section 23-2-1-2 of the Indiana Securities Law and have not been registered under section 23-2-1-3. They cannot therefore be resold unless they are registered under said Law or unless an exemption from registration is available. A claim of exemption under said Law may be filed, and if such exemption is not disallowed sales of these securities may be made. However, until such exemption is granted, any offer made pursuant hereto is preliminary and subject to material change.

NOTICE TO IOWA RESIDENTS ONLY: In making a purchase decision Purchasers must rely on their own examination of the person or entity creating the securities and the terms of the Offering, including the merits and risks involved. These securities have not been recommended; the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and the applicable State securities laws, pursuant to registration or exemption therefrom. Purchasers should be aware that they will be required to bear the financial risks of this purchase for an indefinite period of time.

NOTICE TO KANSAS RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 81-5-6 of the Kansas Securities Act and may not be re-offered for sale, transferred, or resold except in compliance with such Act and applicable rules promulgated thereunder.

NOTICE TO KENTUCKY RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under rule 808 of the Kentucky Securities Act and may not be re-offered for sale, transferred, or resold except in compliance with such Act and applicable rules promulgated thereunder.

NOTICE TO LOUISIANA RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under rule 1 of the Louisiana Securities Law and may not be re-offered for sale, transferred, or resold except in compliance with such Law and applicable rules promulgated thereunder.

NOTICE TO MAINE RESIDENTS ONLY: The Issuer is required to make a reasonable finding that the securities offered are a suitable purchase for the Purchaser and that the Purchaser is financially able to bear the risk of losing the entire amount invested.

These securities are offered pursuant to an exemption under §16202(15) of the Maine Uniform Securities Act and are not registered with the Securities Administrator of the State of Maine.

The securities offered for sale may be restricted securities and the holder may not be able to resell the securities unless:
(1) the securities are registered under state and federal securities laws, or
(2) an exemption is available under those laws.

NOTICE TO MARYLAND RESIDENTS ONLY: If you are a Maryland resident and you make an offer to purchase these securities pursuant to this Memorandum, you are hereby advised that these securities are being sold as a transaction exempt under section 11-602(9) of the Maryland Securities Act. The SEFtokens have not been registered under said Act in the State of Maryland. All Purchasers should be aware that there are certain restrictions as to the transferability of the SEFtokens.

NOTICE TO MASSACHUSETTS RESIDENTS ONLY: These securities have not been registered under the Securities Act of 1933, as amended, or the Massachusetts Uniform Securities Act, by reason of specific exemptions thereunder relating to the limited availability of this Offering. These securities cannot be sold, transferred, or otherwise disposed of to any person or entity unless they are subsequently registered or an exemption from registration is available.

NOTICE TO MICHIGAN RESIDENTS ONLY: These securities have not been registered under section 451.701 of the Michigan Uniform Securities Act and may be transferred or resold by residents of Michigan only if registered pursuant to the provisions of the Act, or if an exemption from registration is available. The purchase is suitable if it does not exceed 10% of the Purchaser's net worth.

NOTICE TO MINNESOTA RESIDENTS ONLY: These securities being offered hereby have not been registered under Chapter 80A of the Minnesota Securities Laws and may not be sold, transferred, or otherwise disposed of except pursuant to registration, or an exemption therefrom.

NOTICE TO MISSISSIPPI RESIDENTS ONLY: The SEFtokens are offered pursuant to a claim of exemption under the Mississippi Securities Act. A registration statement relating to these securities has not been filed with the Mississippi Secretary of State or with the Securities and Exchange Commission. Neither the Secretary of State nor the Commission has passed upon the value of these securities, or approved or disapproved this offering. The Secretary of State does not recommend the purchase of these or any other securities. Each purchaser of the securities must meet certain suitability standards and must be able to bear an entire loss of this purchase. The securities may not be transferred for a period of one (1) year except in a transaction which is exempt under the Mississippi Securities Act or in a transaction in compliance with the Mississippi Securities Act.

NOTICE TO MISSOURI RESIDENTS ONLY: The securities offered herein will be sold to, and acquired by, the Purchaser in a transaction exempt under section 4.G of the Missouri Securities Law of 1953, as amended. These securities have not been registered under said Act in the State of Missouri. Unless the securities are so registered, they may not be offered for sale or resold in the State of Missouri, except as a security, or in a transaction exempt under said Act.

NOTICE TO MONTANA RESIDENTS ONLY: In addition to the Purchasers' suitability standards that are otherwise applicable, any Purchaser who is a Montana resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of five (5) times the aggregate amount invested by such investor in the SEFtokens.

NOTICE TO NEBRASKA RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under chapter 15 of the Nebraska Securities Law and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

NOTICE TO NEVADA RESIDENTS ONLY: If any Purchaser accepts any offer to purchase the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 49:3-60(b) of the Nevada Securities Law. The Purchaser is hereby advised that the Attorney General of the State of Nevada has not passed on or endorsed the merits of this offering and the filing of the Offering with the Bureau of Securities does not constitute approval of the issue, or sale thereof, by the Bureau of Securities or the Department of Law and Public Safety of the State of Nevada. any representation to the contrary is unlawful. Nevada allows the sale of securities to 25 or fewer purchasers in the State without registration. However, certain conditions apply, i.e., commissions are limited to licensed broker-dealers. This exemption is generally used where the prospective Purchaser is already known and has a pre-existing relationship with the Issuer. (see NRS 90.530.11.)

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY: Neither the fact that a registration statement or an application for a license under this Chapter has been filed with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of new Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-b is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

NOTICE TO NEW JERSEY RESIDENTS ONLY: If you are a New Jersey resident and you make an offer to purchase these securities pursuant to this Memorandum, you are hereby advised that this Memorandum has not been filed with or reviewed by the Attorney General of the State of New Jersey prior to its issuance and use. The Attorney General of the State of New Jersey has not passed on or endorsed the merits of this Offering. Any representation to the contrary is unlawful.

NOTICE TO NEW MEXICO RESIDENTS ONLY: These securities have not been approved or disapproved by the Securities Division of the New Mexico Department of Banking nor has the Securities Division passed upon the accuracy or adequacy of this private placement Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO NEW YORK RESIDENTS ONLY: This document has not been reviewed by the Attorney General of the State of New York prior to its issuance and use. The Attorney General of the State of New York has not passed on or endorsed the merits of this Offering. Any representation to the contrary is unlawful. The Issuer has taken no steps to create an after market for the SEFtokens offered herein and has made no arrangements with brokers of others to trade or make a market in the SEFtokens. At some time in the future, the Issuer may attempt to arrange for interested brokers to trade or make a market in the securities and to quote the same in a published quotation medium, however, no such arrangements have been made and there is no assurance that any brokers will ever have such an interest in the securities of the issuer or that there will ever be a market therefore.

NOTICE TO NORTH CAROLINA RESIDENTS ONLY: In making a purchase decision, Purchasers must rely on their own examination of the person or entity creating the securities and the terms of the Offering, including merits and risks involved. These securities have not been recommended by any Federal or State Securities Commission or regulatory authority. Furthermore, the forgoing authorities have not confirmed accuracy or determined adequacy of this document. Representation to the contrary is unlawful. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act of 1933, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Purchasers should be aware that they will be required to bear the financial risks of this purchase for an indefinite period of time.

NOTICE TO NORTH DAKOTA RESIDENTS ONLY: These securities have not been approved or disapproved by the Securities Commissioner of the State of North Dakota nor has the Commissioner passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

NOTICE TO OHIO RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 107.03(2) of the Ohio Securities Law and may not be re-offered for sale, transferred, or resold except in compliance with such Law and applicable rules promulgated thereunder.

NOTICE TO OKLAHOMA RESIDENTS ONLY: These securities are offered for sale in the State of Oklahoma in reliance upon an exemption from registration for private offerings. Although a prior filing of this Memorandum and the information has been made with the Oklahoma Securities Commission, such filing is permissive only and does not constitute an approval, recommendation or endorsement, and in no sense is to be represented as an indication of the investment merit of such securities. Any such representation is unlawful.

NOTICE TO OREGON RESIDENTS ONLY: The securities offered have been registered with the Corporation Commission of the State of Oregon under provisions of OAR 815 Division 36. The Purchaser is advised that the Commissioner has not reviewed this document since the document is not required to be filed with the commissioner. The Purchaser must rely on the Purchaser’s own examination of the Issuer creating the securities, and the terms of the Offering including the merits and risks involved in making an investment decision on these securities.

NOTICE TO PENNSYLVANIA RESIDENTS ONLY: Each person who accepts an offer to purchase securities exempted from registration by section 203(d), directly from the Issuer or affiliate of this Issuer, shall have the right to withdraw his acceptance without incurring any liability to the seller, underwriter (if any) or any other person within two (2) business days from the date of receipt by the Issuer of his written binding contract of purchase or, in the case of a transaction in which there is no binding contract of purchase, within two (2) business days after he makes the initial payment for the securities being offered. If you have made an offer to purchase these securities made pursuant to the Memorandum which contains a notice explaining your right to withdraw your acceptance pursuant to section 207(m) of the Pennsylvania Securities Act of 1972 (70 PS § 1-207(m)), you may elect, within two (2) business days after the first time you have received this notice and a Memorandum to withdraw from your purchase agreement and receive a full refund of all moneys paid by you. Your withdrawal will be without any further liability to any person. To accomplish this withdrawal, you need only send a letter or telegram to the Issuer (or underwriter if one is listed on the front page of the Memorandum) indicating your intention to withdraw. Such letter or telegram should be sent and postmarked prior to the end of the aforementioned second business day. If you are sending a letter, it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also evidence the time when it was mailed. Should you make this request orally, you should ask written confirmation that your request has been received. no sale of the securities will be made to residents of the State of Pennsylvania who are non-accredited investors. Each Pennsylvania resident must agree not to sell these securities for a period of twelve (12) months after the date of purchase, except in accordance with waivers established by rule or order of the Commission. The securities have been issued pursuant to an exemption from the registration requirement of the Pennsylvania Securities Act of 1972. No subsequent resale or other disposition of the securities may be made within 12 months following their initial sale in the absence of an effective registration, except in accordance with waivers established by rule or order of the Commission, and thereafter only pursuant to an effective registration or exemption.

NOTICE TO RHODE ISLAND RESIDENTS ONLY: These securities have not been approved or disapproved by the Department of Business Regulation of the State of Rhode Island nor has the director passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

NOTICE TO SOUTH CAROLINA RESIDENTS ONLY: These securities are being offered pursuant to a claim of exemption under the South Carolina Uniform Securities Act. A registration statement relating to these securities has not been filed with the South Carolina Securities Commissioner. The Commissioner does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this Memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO SOUTH DAKOTA RESIDENTS ONLY: These securities are being offered for sale in the State of South Dakota pursuant to an exemption from registration under the South Dakota Blue Sky Law, Chapter 47-31, with the Director of the Division of Securities of the Department of Commerce and Regulation of the State of South Dakota. The exemption does not constitute a finding that this Memorandum is true, complete, and not misleading, nor has the Director of the Division of Securities passed in any way upon the merits of, recommended, or given approval to these securities. Any representation to the contrary is a criminal offense.

NOTICE TO TENNESSEE RESIDENT ONLY: In making an investment decision Purchasers must rely on their own examination of the Issuer and the terms of the Offering, including the merits and risks involved.

These securities have not been recommended by any Federal or State Securities Commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold. Except as permitted under the Securities Act of 1933, as amended and the applicable state securities laws, pursuant to registration or exemption therefrom. Purchasers should be aware that they may be required to bear the financial risk of this purchase for an indefinite period of time.

NOTICE TO TEXAS RESIDENTS ONLY: The securities offered hereunder have not been registered under applicable Texas securities laws and, therefore, any purchaser thereof must bear the economic risk of the investment for an indefinite period of time because the securities cannot be resold unless they are subsequently registered under such securities laws or an exemption from such registration is available. Further, pursuant to §109.13 under the Texas Securities Act, the Issuer is required to apprise prospective Purchasers of the following: a legend shall be placed, upon issuance, on certificates representing securities purchased hereunder, and any Purchaser hereunder shall be required to sign a written agreement that he will not sell the subject securities without registration under applicable securities laws, or exemptions therefrom.

NOTICE TO UTAH RESIDENTS ONLY: These securities are being offered in a transaction exempt from the registration requirements of the Utah Securities Act. The securities cannot be transferred or sold except in transactions which are exempt under the Act or pursuant to an effective registration statement under the Act or in a transaction which is otherwise in compliance with the Act.

NOTICE TO VERMONT RESIDENTS ONLY: These securities have not been approved or disapproved by the Securities Division of the State of Vermont nor has the Commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

NOTICE TO VIRGINIA RESIDENTS ONLY: If an investor accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction under section 13.1-514 of the Virginia Securities Act and may not be re-offered for sale, transferred, or resold except in compliance with such Act and applicable rules promulgated thereunder.

NOTICE TO WASHINGTON RESIDENTS ONLY: The Administrator of Securities has not reviewed the Offering or the Memorandum and the securities have not been registered in reliance upon the Securities Act of Washington, Chapter 21.20 RCW, and therefore, cannot be resold unless they are registered under the Securities Act of Washington, Chapter 21.20 RCW, or unless an exemption from registration is made available.

NOTICE TO WEST VIRGINIA RESIDENTS ONLY: If a Purchaser accepts an offer to purchase any of the securities, the Purchaser is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 15.06(b)(9) of the West Virginia Securities Law and may not be reoffered for sale, transferred, or resold except in compliance with such Law and applicable rules promulgated thereunder.

NOTICE TO WISCONSIN RESIDENTS ONLY: In addition to the Purchaser suitability standards that are otherwise applicable, any Purchaser who is a Wisconsin resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of three and one-third (3 1/3) times the aggregate amount invested by such Purchaser in the SEFtokens offered herein.

FOR WYOMING RESIDENTS ONLY: All Wyoming residents who subscribe to purchase SEFtokens offered by the U.S. Issuer must satisfy the following minimum financial suitability requirements in order to purchase SEFtokens:

(1) a net worth (exclusive of home, furnishings and automobiles) of two hundred fifty thousand dollars (USD 250,000);

(2) the purchase price of SEFtokens subscribed for may not exceed twenty percent (20%) of the net worth of the Purchaser; and

(3) "taxable income" as defined in section 63 of the Internal Revenue Code of 1986, as amended, during the last tax year and estimated "taxable income" during the current tax year subject to a federal income tax rate of not less than thirty-three percent (33%).

In order to verify the foregoing, all Purchasers who are Wyoming residents will be required to represent in the subscription agreement that they meet these Wyoming special investor suitability requirements.

FOR ALL NON-U.S. PERSONS: IT IS THE RESPONSIBILITY OF ANY PERSONS WISHING TO PURCHASE SEFTOKENS TO INFORM THEMSELVES OF AND TO OBSERVE ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTIONS. PROSPECTIVE PURCHASERS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS AND TAX CONSEQUENCES WITHIN THE COUNTRIES OF THEIR CITIZENSHIP, RESIDENCE, DOMICILE AND PLACE OF BUSINESS WITH RESPECT TO THE PURCHASE AND ANY FOREIGN EXCHANGE RESTRICTIONS THAT MAY BE RELEVANT THERETO.

NOTICE TO PROSPECTIVE PURCHASERS IN CANADA

This Memorandum does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation.

SEFtokens will be offered in Canada and Ontario only to Accredited Investors under the National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations and the Securities Act (Ontario). This Offering and the approach to Accredited Investors in order to obtain the consent shall not, by itself, be deemed an offering to the public.

By virtue of placing an order to purchase SEFtokens, each Canadian purchaser who purchases SEFtokens will be deemed to acknowledge that it has been notified by the Issuer (a) that delivery is required to be made to certain securities regulatory authorities or regulators of certain personal information regarding the Purchaser including, without limitation, the Purchaser's name, address, telephone number and e-mail address, the number and type of securities purchased by the Purchaser, the date of the purchase and the amount paid by the Purchaser, the prospectus exemption relied upon to distribute securities to the Purchaser, and whether or not the Purchaser is registered under the securities legislation of any province or territory of Canada, (b) that the personal information is being collected by the securities regulatory authorities or regulators under the authority granted to such regulatory authorities or regulators in securities legislation and is being collected for the purposes of the administration and enforcement of the securities legislation of the local jurisdiction, and (c) of the title, business address and business telephone number of the public official in the Purchaser's local jurisdiction who can answer questions about the applicable security regulatory authorities' or regulators' indirect collection of information, as set out below.

ALBERTA SECURITIES COMMISSION
SUITE 600, 250 - 5TH STREET SW
CALGARY, ALBERTA T2P 0R4
TELEPHONE: (403) 297-6454
TOLL FREE IN CANADA: 1-877-355-0585
FACSIMILE: (403) 297-2082

BRITISH COLUMBIA SECURITIES COMMISSION
P.O. BOX 10142, PACIFIC CENTRE 701 WEST GEORGIA STREET VANCOUVER, BRITISH COLUMBIA V7Y 1L2
TOLL FREE IN CANADA: 1-800-373-6393 FACSIMILE: (604) 899-6581
EMAIL: INQUIRIES@BCSC.BC.CA

THE MANITOBA SECURITIES COMMISSION
500 - 400 ST. MARY AVENUE WINNIPEG, MANITOBA R3C 4K5
TELEPHONE: (204) 945-2548
TOLL FREE IN MANITOBA 1-800-655-5244
FACSIMILE: (204) 945-0330

FINANCIAL AND CONSUMER SERVICES COMMISSION (NEW BRUNSWICK)
85 CHARLOTTE STREET, SUITE 300
SAINT JOHN, NEW BRUNSWICK E2L 2J2
TELEPHONE: (506) 658-3060
TOLL FREE IN CANADA: 1-866-933-2222
FACSIMILE: (506) 658-3059
EMAIL: INFO@FCNB.CA

GOVERNMENT OF NEWFOUNDLAND AND LABRADOR
FINANCIAL SERVICES REGULATION DIVISION
P.O. BOX 8700
CONFEDERATION BUILDING
2ND FLOOR, WEST BLOCK
PRINCE PHILIP DRIVE
ST. JOHN'S, NEWFOUNDLAND AND LABRADOR A1B 4J6
ATTENTION: DIRECTOR OF SECURITIES
TELEPHONE: (709) 729-4189
FACSIMILE: (709) 729-6187

GOVERNMENT OF NUNAVUT DEPARTMENT OF JUSTICE
LEGAL REGISTRIES DIVISION
P.O. BOX 1000, STATION 570 1ST FLOOR, BROWN BUILDING IQALUIT, NUNAVUT X0A 0H0
TELEPHONE: (867) 975-6590
FACSIMILE: (867) 975-6594

ONTARIO SECURITIES COMMISSION
20 QUEEN STREET WEST, 22ND FLOOR TORONTO, ONTARIO M5H 3S8
TELEPHONE: (416) 593- 8314
TOLL FREE IN CANADA: 1-877-785-1555
FACSIMILE: (416) 593-8122
EMAIL: EXEMPTMARKETFILINGS@OSC.GOV.ON.CA
PUBLIC OFFICIAL CONTACT REGARDING INDIRECT
COLLECTION OF INFORMATION: INQUIRIES OFFICER

PRINCE EDWARD ISLAND SECURITIES OFFICE
95 ROCHFORD STREET, 4TH FLOOR SHAW BUILDING
P.O. BOX 2000
CHARLOTTETOWN, PRINCE EDWARD ISLAND C1A 7N8
TELEPHONE: (902) 368-4569
FACSIMILE: (902) 368-5283
INQUIRIES: (604) 899-6854

AUTORITE DES MARCHES FINANCIERS
800, SQUARE VICTORIA, 22E ETAGE
C.P. 246, TOUR DE LA BOURSE
MONTRÉAL, QUÉBEC H4Z 1G3
TELEPHONE: (514) 395-0337 OR 1-877-525-0337
FACSIMILE: (514) 873-6155 (FOR FILING PURPOSES ONLY)
FACSIMILE: (514) 864-6381 (FOR PRIVACY REQUESTS ONLY)
EMAIL: FINANCEMENTDESSOCIETES@LAUTORITE.QC.CA (FOR CORPORATE FINANCE ISSUERS);
FONDS_DINVESTISSEMENT@LAUTORITE.QC.CA (FOR
INVESTMENT FUND ISSUERS)

GOVERNMENT OF THE NORTHWEST TERRITORIES
OFFICE OF THE SUPERINTENDENT OF SECURITIES
P.O. BOX 1320
YELLOWKNIFE, NORTHWEST TERRITORIES X1A 2L9
ATTENTION: DEPUTY SUPERINTENDENT, LEGAL & ENFORCEMENT
TELEPHONE: (867) 920-8984
FACSIMILE: (867) 873-0243

NOVA SCOTIA SECURITIES COMMISSION
SUITE 400, 5251 DUKE STREET
DUKE TOWER
P.O. BOX 458
HALIFAX, NOVA SCOTIA B3J 2P8
TELEPHONE: (902) 424-7768
FACSIMILE: (902) 424-4625

FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN
SUITE 601 - 1919 SASKATCHEWAN DRIVE REGINA,
SASKATCHEWAN S4P 4H2
TELEPHONE: (306) 787-5879
FACSIMILE: (306) 787-5899

OFFICE OF THE SUPERINTENDENT OF SECURITIES
GOVERNMENT OF YUKON
DEPARTMENT OF COMMUNITY SERVICES
307 BLACK STREET, 1ST FLOOR BOX 2703, C-6
WHITEHORSE, YUKON Y1A 2C6
TELEPHONE: (867) 667-5466
FACSIMILE: (867) 393-6251
EMAIL:SECURITIES@GOV.YK.CA

By virtue of placing an order to purchase SEFtokens, each Canadian purchaser authorizes the indirect collection of information by the securities regulatory authorities or regulators.

By purchasing SEFtokens offered under this Memorandum, each Purchaser is deemed to acknowledge that its express wish is that all documents evidencing or relating in any way to the sale of the SEFtokens be drafted in the English language only.

En souscrivant des valeurs mobilieres en vertu de la presente notice d'offre, chaque souscripteur est repute reconnaitre avoir exige que tous les documents faisant foi de ou relatifs a la vente des valeurs mobilieres soient rediges uniquement en anglais.

The Issuer was established under the laws of a jurisdiction outside Canada and all of the Issuer's officers and directors named herein may be located outside Canada. All or substantially all of the assets of the Issuer and such persons may be located outside Canada. As a result, there may be difficulty in enforcing any legal rights against the Issuer or such persons. In particular, it may not be possible for Purchasers to effect service of process within Canada upon the Issuer or such persons, to satisfy a judgment against the Issuer or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Issuer or such persons outside Canada.

Securities legislation in certain provinces or territories of Canada may provide a Purchaser with remedies for rescission or damages if the Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the Purchaser's province or territory. The Purchaser should refer to any applicable provisions of the securities legislation of the Purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Any discussion of taxation and related matters contained in this Memorandum does not address Canadian tax considerations. Canadian purchasers should consult with their own legal and tax advisers with respect to the tax consequences of an purchase of SEFtokens in their particular circumstances and with respect to the eligibility of the SEFtokens for purchase by such Purchaser under relevant Canadian legislation and regulations.

Unless specifically stated otherwise, all dollar amounts contained in this Memorandum are in U.S. dollars and must be converted into Canadian dollars based on the prevailing relevant foreign exchange rate at the time such amounts arise.

The distribution of SEFtokens in Canada is being made on a private placement basis. The Issuer is not a reporting Issuer in any province or territory in Canada, the SEFtokens are not listed on any stock exchange in Canada, and the Issuer does not intend to become a reporting Issuer or to list the SEFtokens on any stock exchange in Canada. Any resale of SEFtokens must be made in accordance with applicable securities laws, which may require resales to be made: (a) in accordance with exemptions from registration and prospectus requirements, including those pertaining to resales outside Canada; (b) pursuant to a prior written order or ruling of the relevant Canadian provincial securities regulatory authority; or (c) pursuant to a prospectus for which a final receipt is issued by the relevant securities regulatory authority. Purchasers in canada are advised to seek legal advice prior to any resale of the SEFtokens.

NOTICE TO PROSPECTIVE PURCHASERS IN NEW ZEALAND

This Memorandum does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation.

SEFtokens will be offered in New Zealand only Wholesale/Eligible Investors under the Financial Markets Conduct Act 2013.

This Offering and the approach to Wholesale/Eligible Investors in order to obtain the consent shall not, by itself, be deemed an offering to the public.

NOTICE TO PROSPECTIVE PURCHASERS IN AUSTRALIA

Neither this Memorandum, nor any other disclosure document in relation to the SEFtokens, has been, will be, or needs to be, lodged with the Australian Securities & Investments Commission. This Memorandum is not a product disclosure statement under Division 2 of Part 7.9 of the Corporations Act 2001 (Cth) (the "Australia Act") nor is it a prospectus under Chapter 6D of the Australia Act, and the SEFtokens have not been, and will not be, registered as a managed investment scheme under the Australia Act.

An offer of the Securities is made in Australia only to wholesale (rather than retail) or sophisticated investor which is defined in the Australia Act as follows:

(a) an individual with net assets of at least AUD 2.5 million; or
(b) a gross income for each of the last 2 financial years of at least AUD 250,000 evidenced by a qualified accountant's certificate.

No SEFtokens will be issued or arranged to be issued, and no recommendations to acquire SEFtokens will be made, which would require the provision of a product disclosure statement under Division 2 of Part 7.9 of the Australia Act or the provision of a financial services guide or a statement of advice under Division 2 or 3 of Part 7.7 of the Australia Act.

Neither this Memorandum, the offer contained herein nor any other disclosure document in relation to the SEFtokens can be partially or wholly distributed, published, reproduced, transmitted or otherwise made available or disclosed by recipients to any other person in Australia.

NOTICE TO PROSPECTIVE PURCHASERS IN THE EUROPEAN ECONOMIC AREA

This Memorandum does not constitute a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive") including any relevant implementing measure in any member state of the European Economic Area (the EEA). Any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in any member state of the EEA which has implemented the Prospectus Directive will only be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus in respect of such offer or invitation or otherwise will not be subject to such requirements. The ISSUER has not authorized, nor will it authorize, the making of any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in circumstances in which an obligation arises for the publication of a prospectus pursuant to the Prospectus Directive.

In relation to each relevant member state, no offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER has been or will be made to the public in that member state, other than under the following exemptions under the Prospectus Directive:

(1) an offer of securities addressed solely to any persons or entities who are "qualified investors" that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC; or
(2) an offer of securities addressed to Purchasers who acquire securities for a total consideration of at least EUR100,000 (or its equivalent) per Purchaser, for each separate offer.

For the purposes of this provision, the expression "an offer of securities to the public" in relation to any SEFtokens proposed to be issued by the ISSUER in any member state means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable a purchaser to decide to purchase these securities, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that relevant member state.

NOTICE TO PROSPECTIVE PURCHASERS IN LUXEMBOURG

This Memorandum does not constitute a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive") including any relevant implementing measure in any member state of the European Economic Area (the EEA). Any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in any member state of the EEA which has implemented the Prospectus Directive will only be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus in respect of such offer or invitation or otherwise will not be subject to such requirements. The ISSUER has not authorized, nor will it authorize, the making of any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in circumstances in which an obligation arises for the publication of a prospectus pursuant to the Prospectus Directive.

In relation to each relevant member state, no offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER has been or will be made to the public in that member state, other than under the following exemptions under the Prospectus Directive:

(1) an offer of securities addressed solely to any persons or entities who are "qualified investors" that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC; or

(2) an offer of securities addressed to Purchasers who acquire securities for a total consideration of at least EUR100,000 (or its equivalent) per Purchaser, for each separate offer.

For the purposes of this provision, the expression "an offer of securities to the public" in relation to any SEFtokens proposed to be issued by the ISSUER in any member state means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable a purchaser to decide to purchase these securities, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that relevant member state.

The ISSUER's SEFtokens may only be offered or sold in the Grand Duchy of Luxembourg (Luxembourg) to Professional Investors within the meaning of Luxembourg Law of 12 July 2013 on alternative investment fund managers (the "AIFM Law").

The information published on this website does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation. None of the materials to which this website gives access constitutes an offer, an invitation or a solicitation for any investment or subscription for the ISSUER's SEFtokens by ***retail investors*** in Luxembourg. You are hereby notified that no action has or will be taken that would allow a direct or indirect offering or placement of the ISSUER's SEFtokens to retail investors in Luxembourg.

NOTICE TO PROSPECTIVE PURCHASERS IN HONG KONG

The SEFtokens have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than to "professional investors" within the meaning of section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance (Cap. 571)(including professional investors falling within paragraph (j) of the definition of professional investor in that section) and any rules made thereunder and/or by virtue of an exempted transaction with a minimum consideration payable of USD 70,000.
By proceeding to view the materials to which this website gives access, you agree that you are a Professional Investor and making a payment of a minimum consideration of USD 70,000.

WARNING
THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

NOTICE TO PROSPECTIVE PURCHASERS IN ISRAEL

This Memorandum does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation.

SEFtokens will be offered in Israel only to s 15A(b)(1) Investors listed in Schedule One ("Schedule One") to the Securities Law 5728-1968 (the "Securities Law"). This Offering and the approach to a s 15A(b)(1) Investors in order to obtain the consent shall not, by itself, be deemed an offering to the public.

The ISSUER is not licensed under Israel's Regulation of Investment Advice, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") nor does it carry insurance as required under the law. The SEFtokens have not been approved by the Israeli Securities Authority. Nothing in this document should be considered investment advice or investment marketing as defined in the Advice Law.

NOTICE TO PROSPECTIVE PURCHASERS IN THE UNITED KINGDOM

This Memorandum does not constitute a prospectus for the purposes of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "Prospectus Directive") including any relevant implementing measure in any member state of the European Economic Area (the EEA). Any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in any member state of the EEA which has implemented the Prospectus Directive will only be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus in respect of such offer or invitation or otherwise will not be subject to such requirements. The ISSUER has not authorized, nor will it authorize, the making of any offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER in circumstances in which an obligation arises for the publication of a prospectus pursuant to the Prospectus Directive.

In relation to each relevant member state, no offer or invitation to purchase SEFtokens proposed to be issued by the ISSUER has been or will be made to the public in that member state, other than under the following exemptions under the Prospectus Directive:

(1) an offer of securities addressed solely to any persons or entities who are "qualified investors" that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments, and persons or entities who are, on request, treated as professional clients in accordance with Annex II to Directive 2004/39/EC; or
(2) an offer of securities addressed to Purchasers who acquire securities for a total consideration of at least EUR100,000 (or its equivalent) per Purchaser, for each separate offer.

For the purposes of this provision, the expression "an offer of securities to the public" in relation to any SEFtokens proposed to be issued by the ISSUER in any member state means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable a purchaser to decide to purchase these securities, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that relevant member state.

In addition, in the United Kingdom, the materials to which this website gives access are directed only at:
(1) persons believed on reasonable grounds to be or reasonably regarded as investment professionals who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order");
(2) an individual believed on reasonable grounds to be a certified high net worth individual, ie an individual who has signed, within the period of twelve months ending with the day on which the communication is made, a statement complying with Part I of Schedule 5 of the Order;
(3) who are high net worth entities as described in Article 49(2)(a) to (d) of the Order:
    (a) any body corporate which has, or which is a member of the same group as an undertaking which has, a called-up share capital or net assets of not less than—
        (i) if the body corporate has more than 20 members or is a subsidiary undertaking of an undertaking which has more than 20 members, £500,000;
        (ii) otherwise, £5 million;
    (b) any unincorporated association or partnership which has net assets of not less than £5 million;
    (c) the trustee of a high value trust;
    (d) any person ("A") whilst acting in the capacity of director, officer or employee of a person ("B") falling within any of sub-paragraphs (1) to (3) where A's responsibilities, when acting in that capacity, involve him in B's engaging in investment activity;
(4) other persons to whom it may otherwise lawfully be distributed including sophisticated investors and self-certified sophisticated investors described in the Order;

all such persons together being referred to as the "Relevant Persons".

Any investment or investment activity to which such materials may relate would, if made available and engaged in, be made available only to and engaged in only with such persons. By proceeding to view the materials to which this website gives access, you agree that you are a Relevant Person.

Any person who has any doubt about the investment to which the communication relates should consult an authorized person specializing in advising on investments of the kind in question.

WARNING
THE CONTENT OF THIS MEMORANDUM OFFERING FOR SEFTOKENS HAS NOT BEEN APPROVED BY AN AUTHORISED PERSON WITHIN THE MEANING OF THE FINANCIAL SERVICES AND MARKETS ACT 2000. RELIANCE ON THIS MEMORANDUM OFFERING FOR SEFTOKENS FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL OF THE PROPERTY OR OTHER ASSETS INVESTED.

NOTICE TO PROSPECTIVE PURCHASERS IN JAPAN

This Memorandum does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation.

In Japan, this Memorandum is directed only at persons who are "Qualified Institutional Investors" within the meaning of Financial Instruments and Exchange Act (Tentative translation) (Act No. 25 of April 13, 1948) (the "Act") and the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (Order of the Ministry of Finance No. 14 of March 3, 1993) and any rules made thereunder and in exempted offers to sell and solicitation of offers to purchase already-issued Securities (an "Offer to Sell, etc.") specified in Article 2, paragraph (4)(ii)(a) and (c) under the Act.

A. Article 10 paragraph (1) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (Order of the Ministry of Finance No. 14 of March 3, 1993) defines the categories of persons qualifying as Qualified Institutional Investors including the following (the list is not exhaustive):

(1) an individual who has notified the Commissioner of the Financial Services Agency that he/she meets requirements specified in (xxiv)-2 (a), (b);
(2) a specific purpose company (meaning the specific purpose company as prescribed in Article 2, paragraph (3) of the Act on the Securitization of Assets (Act No. 105 of 1998; the "Asset Securitization Act")) which has notified the Commissioner of the Financial Services Agency that it meets requirements specified in (xxiii)-2 (a), (b), (c);
(3) a Financial Instruments Business Operator (limited to one engaged in Type I Financial Instruments Business (limited to business which falls under Securities Services) or in Investment Management Business);
(4) an investment corporation;
(5) a bank;
(6) an insurance company;
(7) a shinkin bank, federation of shinkin banks, labor bank, or federation of labor banks;
(8) the Norinchukin Bank or the Shoko Chukin Bank Limited;
(9) a credit cooperative which has filed a notification with the Commissioner of the Financial Services Agency or a federation of credit cooperatives; or a federation of agricultural cooperatives or a federation of mutual aid fishermen's cooperatives which is able to accept deposits or savings or run a business facility related to mutual aid as a part of its business;
(10) a trust company as prescribed in Article 2, paragraph (2) of the Trust Business Act (Act No. 154 of 2004) (excluding a management-type trust company prescribed in paragraph (4) of that Article; the same shall apply in Article 16, paragraph (1), item (i)-2, sub-item (a), 3. and item (vii)) which has made a notification to the Commissioner of the Financial Services Agency.

NOTE: The Purchaser intending to rely on notification to the Commissioner of the Financial Services Agency (under Article 10 paragraph (1)) must provide the notification as part of the Verification Process.

B. The specific exempted Offers to Sell, etc are:

(1) an Offer to Sell, etc. made only to Qualified Institutional Investors and constituting a case specified by Cabinet Order as one in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Qualified Institutional Investor;
(2) an Offer to Sell, etc. <u>other than</u> one which is made only to:
    (a) Qualified Institutional Investors in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Qualified Institutional Investor; and/or
    (b) Professional Investors (who is not the State, the Bank of Japan, or a Qualified Institutional Investor) in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Professional Investor;

    and constituting a case specified by Cabinet Order as one in which there is little likelihood of the relevant Securities being held by a large number of persons.

Notice to Qualified Institutional Investors
The Exclusive Solicitation to Qualified Institutional Investors falls under one of the following exempted cases:

(1) an Offer to Sell, etc. made only to Qualified Institutional Investors and constituting a case specified by Cabinet Order as one in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Qualified Institutional Investor;

(2) an Offer to Sell, etc. other than one which is made only to:

(a) Qualified Institutional Investors in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Qualified Institutional Investor; and/or

(b) Professional Investors (who is not the State, the Bank of Japan, or a Qualified Institutional Investor) in which there is little likelihood of the relevant Securities being transferred from the person that acquires them to any person other than a Professional Investor;

and constituting a case specified by Cabinet Order as one in which there is little likelihood of the relevant Securities being held by a large number of persons;

and that therefore the notification under Article 4, paragraph (1) has not been made.

NOTICE TO PROSPECTIVE PURCHASERS IN THE UNITED ARAB EMIRATES (UAE)

This Memorandum does not constitute an offer of products or services analogous to a public offering or any other sales or marketing activity or solicitation to buy or sell securities or encouragement or advice to make a particular investment or to arbitrage securities by any person in any jurisdiction in which such an offer or invitation would be considered illegal or in which the person proposing this offer or invitation is not qualified to do so or to any person to whom it is illegal to propose such an offer or invitation.

The Offering is classified as an Exempt Offer because it is an Offering

(1) made to or directed at only Professional Clients other than natural Persons. The prohibition in Article 14(1)(a) of the Markets Law 2012 does not apply to the Offering; or

(2) where the total consideration to be paid by a Purchaser to acquire the SEFtokens is at least AED100,000, or an equivalent amount in another currency.

Accordingly, the ISSUER may make an Offering of SEFtokens to Professional Clients without a Prospectus.

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CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of SEFtokens and STPAs. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed Treasury Regulations thereunder, administrative rulings and pronouncements and judicial decisions, all as in effect on the date of this Memorandum and all of which are subject to change or differing interpretations, possibly with retroactive effect. This discussion is addressed only to beneficial owners of SEFtokens and STPAs that purchase them for cash on original issuance.

This discussion does not address all of the tax considerations that may be relevant to a purchaser of SEFtokens or STPAs in light of its particular circumstances or to purchasers that are subject to special rules, such as: banks and other financial institutions; insurance companies; real estate investment trusts and regulated investment companies; tax-exempt organizations; pension funds and retirement plans; brokers and dealers in securities or currencies; traders in securities that elect to use a mark-to-market method of tax accounting; persons that own SEFtokens or STPAs as a position in a hedging transaction; persons that own SEFtokens or STPAs as part of a "straddle," "conversion" or other integrated transaction for tax purposes; or U.S. Holders (as defined below) whose "functional currency" for tax purposes is not the U.S. dollar.

As used in this discussion, the term "U.S. Holder" means a beneficial owner of a SEFtoken or STPA that is, for U.S. federal income tax purposes, (i) a citizen or individual resident of the U.S.; (ii) a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the U.S., any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust, if (A) a court within the U.S. is able to exercise primary jurisdiction over administration of the trust and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) it has a valid election in effect to be treated as a U.S. person. As used in this discussion, the term "non-U.S. Holder" means a beneficial owner of Notes or STPAs (other than a partnership or other entity treated as a partnership or as a disregarded entity for U.S. federal income tax purposes) that is not a U.S. person.

The tax treatment of a partnership and each partner thereof will generally depend upon the status and activities of the partnership and such partner. A holder that is treated as a partnership for U.S. federal income tax purposes or a partner in such partnership should consult its own tax advisor regarding the U.S. federal income tax consequences applicable to it and its partners of the acquisition, ownership and disposition of the Notes or STPAs.

Characterization of SEFtokens and STPAs

There are no regulations, published rulings or judicial decisions involving the characterization for U.S. federal income tax purposes of instruments with substantially the same terms as either the SEFtokens or the STPAs. Thus, the characterization of these instruments is uncertain. It should be expected that the Internal Revenue Service ("IRS") or a court would determine this characterization based on a consideration and weighing of the characteristics of these instruments. Except for purposes of withholding on payments to non-US persons discussed below, the Issuer intends to treat the SEFtokens and STPAs as a forward contract arrangement to purchase the Shares on the terms provided. Other characterizations of each of the SEFtokens and STPAs are possible, some of which are discussed briefly below, which may have less favorable U.S. federal income tax consequences for purchasers. Potential purchasers are strongly advised to consult their own tax advisors as to the U.S. federal income tax characterization of the SEFtokens and STPAs and the consequences to them of the various alternative characterizations.

<u>Characteristics of SEFtokens/STPAs.</u>

As noted, the Issuer intends generally to treat the SEFtokens/STPAs, which are covered warrants, as a forward contract to purchase the Shares and thus a prepaid forward contract to purchase the Shares from the Issuer. Among the characteristics of the SEFtokens/STPAs that support such treatment are their terms providing for purchase of Shares on fixed terms for a fixed price during each of the Offer Period, as well as the lack of participation of the SEFtokens STPAs in dividends and liquidation proceeds.

The SEFtokens are not Shares and have no characteristics that support equity treatment as a type of stock under Delaware law, and have no rights to dividends or proceeds if the Issuer is liquidated.

The following is a description of the U.S. federal income consequences of holders that would obtain if the Issuer's characterization of the SEFtokens/ STPAs as prepaid forward contracts prevails. Other characterizations are possible, as explained in more detail below, and these could have less favorable U.S. federal income tax consequences for holders.

US Holders

Tax Treatment of SEFtokens/STPAs

The treatment of the SEFtokens/STPAs as a prepaid forward contract generally means that a U.S. Holder would have has no tax consequences upon acquiring the SEFtoken/STPA.

After Holding Period has elapsed, the Issuer intends to have SEFtokens traded on Designated Exchanges or the Issuer explicitly authorizes peer-to-peer transfers. Peer-to-peer transfers will not be permitted unless and until Holders are notified otherwise by the Issuer and informed of the requirements and conditions to do so. There can be no assurance that any Designated Exchange will be designated or created or that peer-to-peer transfers will ever be permitted.

Potential purchasers are strongly advised to consult their own tax advisors as to the U.S. federal income tax implications of the trading or transfer of their SEFtokens.

Upon receipt of the Shares, the U.S. Holder would be treated as purchasing the Shares for its original purchase price for the SEFtokens/STPAs plus the price paid for the Shares (which is zero), and the Holder's initial tax basis in the Shares would be the sum of these amounts.

Gain or Loss upon Sale or Other Disposition of the Shares

In general, a U.S. Holder that sells, exchanges or otherwise disposes of its Shares will recognize capital gain or loss in an amount equal to the amount realized for the Shares and the US Holder's tax basis in the Shares disposed of.

Dividends

The Shares are equity in an Australian incorporated company. Dividends, if announced, are dividends paid by an Australian corporation (Non-U.S. Corporation) to an U.S. Holder.

Potential purchasers are strongly advised to consult their own tax advisors as to the U.S. federal income tax implications of the payment of dividends, if any, by Mercari, an Australian, Non-U.S. Corporation.

Medicare Tax

Certain U.S. Holders who are individuals, estates or trusts are required to pay a Medicare tax of 3.8% (in addition to taxes they would otherwise be subject to) on their "net investment income" which would include, among other things, dividends and capital gains from the Shares.

Alternative Characterizations

Each of the SEFtokens/STPAs and the Shares are subject to possible characterizations for U.S. federal income tax purposes different from those described above. Less likely, the SEFtokens might be characterized as debt of the Issuer. The SEFtokens/STPAs could be viewed as agreements for the present sale stock of the Shares on a "when issued" basis, or, alternatively, as options to buy the Shares or, less likely, some type of non-stock right. U.S. Holders should be aware that several of these characterizations could be disadvantageous for the Holder's U.S. federal income tax treatment, including the timing and characterization of the Holder's income.

Holders should also be aware that the IRS has issued guidance, Notice 2014-21, regarding the treatment of "virtual currencies" such as bitcoin. The Issuer believes that the SEFtokens have important difference from a virtual currency, chiefly that they cannot generally be used as a medium of exchange for goods or services and will be traded, if at all, only in the broker/dealer arrangements described herein.

US Holders are strongly encouraged to consult their U.S. tax advisors regarding the U.S. federal income tax characterization of the SEFtokens/STPAs and the Shares, and the consequences of these alternative characterizations.

Non-US Holders

The Issuer intends to have SEFtokens traded on Designated Exchanges or the Issuer explicitly authorizes peer-to-peer transfers in non-U.S. jurisdictions. Peer-to-peer transfers will not be permitted unless and until Holders are notified otherwise by the Issuer and informed of the requirements and conditions to do so. There can be no assurance that any Designated Exchange will be designated or created or that peer-to-peer transfers will ever be permitted.

Potential purchasers are strongly advised to consult their own tax advisors as to the tax implications of their respective countries in relation to the trading or transfer of their SEFtokens.

Dividends on the Shares

The Shares are equity in an Australian incorporated company. Dividends, if announced, are dividends paid by an Australian corporation (non-U.S. corporation) to a non-U.S. citizen (and possibly non-Australian citizen).

Potential non- U.S. purchasers are strongly advised to consult their own tax advisors as to the tax implications of their respective countries in relation to the payment of dividends, if any, by Mercari, an Australian, non-U.S. corporation.

Gain on Sale or Other Disposition of the Shares

Potential non- U.S. purchasers are strongly advised to consult their own tax advisors as to the tax implications of capital gain or loss in their respective countries in relation to the sale or other disposition of the Shares.

Information Reporting and Backup Withholding Tax

Distributions made to holders and proceeds paid from the sale, exchange, redemption or disposal of SEFtokens/STPAs and the Shares may be subject to information reporting to the IRS. Such payments may be subject to backup withholding taxes unless the Holder (i) is a corporation or other exempt recipient or (ii) provides taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a Holder may be required to provide a certification of its non-US status in connection with payments received within the U.S. or through a U.S.-related financial intermediary to establish that it is an exempt recipient. Backup withholding is not an additional tax; amounts withheld as backup withholding may be credited against a Holder’s U.S. federal income tax liability.

THE U.S. FEDERAL INCOME TAX TREATMENT OF THE SEFTOKENS/STPAS IS NOT CLEAR AND THE FOREGOING DISCUSSION DOES NOT ADDRESS ALL ASPECTS OF U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER IN LIGHT OF ITS INDIVIDUAL CIRCUMSTANCES, NOR DOES SUCH DISCUSSION ADDRESS ANY ASPECTS OF STATE, LOCAL, OR FOREIGN TAX LAWS OR OF ANY U.S. FEDERAL TAX LAWS OTHER THAN THE INCOME TAX LAWS. ACCORDINGLY, PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE U.S. FEDERAL INCOME TAX CHARACTERIZATION OF THE SEFTOKENS/STPAS, AS WELL AS THE OTHER TAX CONSEQUENCES OF ACQUISITION, OWNERSHIP AND DISPOSITION OF SHARES IN THEIR OWN PARTICULAR CIRCUMSTANCES.

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Schedule 1 – Liquidity Event Entitlement

$$L_{EE} = \frac{G_{LEE}(H_T)}{T_I}$$

Where:

L_{EE}	Liquidity Event Entitlement at Conversion
G_{LEE}	Gross Liquidity Event Entitlement received by Company.
H_T	Number of Tokens to be converted by Holder
T_I	Total number of Tokens Issued

Schedule 2 – Rate of Conversion

Each SEFtoken, as a covered warrant, will enjoy the Right of Conversion via a conversion rate as follows:

$$S_c = H_t \times R_c \times S_i$$

Where:

S_c	Number of Shares to be transferred at Conversion
H_t	Number of Tokens to be converted by Holder
R_c	Rate of Conversion is 0.0000003572% being percentage entitlement of the fully diluted holding of Mercari per token at the Issuance Date
S_i	Total number of Shares in Mercari at Issuance Date

The rate of conversion is based on the formula below:

R_c = % of diluted holding in Mercari held by the Issuer/Total number of Tokens issued

Where % of diluted holding in Mercari held by the Issuer is Aggregate Exchanged Purchaser Commitment Amount/Enterprise value = P_a / E_v

The rate of conversion can also be derived from the following formula:

$$S_c = H_t \times (P_a \times S_t) / (T_t \times E_v)$$

Where:

S_c	Number of Shares to be transferred at Conversion
H_t	Number of Tokens to be converted by Holder
P_a	Aggregate Exchanged Purchaser Commitment Amount
S_t	Total number of Shares on issue immediately prior to Conversion
T_t	Total number of Tokens issued
E_v	265,957,447

For example assuming that there are 188,679,245 Shares at Issuance Date and a Holder wants to convert 250,000 SEFtokens then the Holder would receive:

Number of Shares: 250,000 multiplied by 0.0000003572% multiplied by 188,679,245 equals 168,491 Shares.

Index to Annexures

Annexure A – Share Issue & Subscription Agreement – Mercari and Issuer
Annexure B – Mercari Australian Market Licence
Annexure C – Mercari AFSL
Annexure D – Mercari Audited Accounts for FY 2017-2018
Annexure E – Annual Regulatory Report - Mercari Pty Limited, 2017-2018

ANNEXURE A

SHARE ISSUE & SUBSCRIPTION AGREEMENT – MERCARI & ISSUER

SHARE ISSUE & SUBSCRIPTION AGREEMENT

PARTIES

Mercari Pty Limited

AND

SEFtoken, Inc.

TABLE OF CONTENTS

1. DEFINITIONS AND INTERPRETATION 3
2. SUBSCRIPTION CONDITION 7
3. SUBSCRIPTION & PAYMENT 7
4. FAILURE TO PAY SHARE SUBSCRIPTION CONSIDERATION BY PAYMENT DATE 8
5. SUBSCRIPTION SHARES, ADJUSTMENT SHARES, PRICE ADJUSTMENT SHARES AND TRANSFER OF RIGHTS 8
6. WARRANTIES 9
7. LIMITATION OF LIABILITY 9
8. DISPUTE RESOLUTION 10
9. CONFIDENTIAL INFORMATION 10
10. ENTIRE AGREEMENT 11
11. AMENDMENT 11
12. NO WAIVER 11
13. NOTICE 12
14. COSTS 12
15. GOVERNING LAW 12
16. COUNTERPARTS 12

SCHEDULE 1 – PART A INVESTOR SHARE SUBSCRIPTIONS 14

SCHEDULE 1 – PART B INVESTOR SHARE SUBSCRIPTIONS 15

SCHEDULE 1 – PART C INVESTOR SHARE SUBSCRIPTIONS 16

SCHEDULE 2 – SHARE APPLICATION FORM 17

SCHEDULE 3 – COMPANY WARRANTIES 18

SCHEDULE 4 – INVESTOR WARRANTIES 20

SCHEDULE 5 – SHARE SUBSCRIPTION CONSIDERATION 21

SCHEDULE 6 – USE OF FUNDS 22

Parties

1. **Mercari Pty Limited** ACN 102 928 727 of Level 1, 7 Bridge Street, Sydney NSW 2000 (**Company**)

2. **SEFtoken, Inc.** of 16192 Coastal Highway, Lewes, Delaware 19958, County of Sussex, United States (**Investor**)

Introduction

A. The Investor has agreed to subscribe to the Subscription Shares subject to this Agreement.

B. The Company has agreed to issue the Subscription Shares upon the satisfaction of the Subscription Conditions as set out in this agreement.

C. The Investor has agreed to pay the Share Subscription Consideration by the Payment Date.

D. Where the terms and conditions of this Agreement (in particular the failure to satisfy the Subscription Conditions) have not been met, the right to subscribe in Shares will terminate.

Operative clauses

1. Definitions and Interpretation

1.1 Definitions

In this agreement:

Adjustment Event means;

(a) an increase in the number of Shares on issue in the Company within eighty four (84) months after the Subscription Date resultant from the exercise or conversion of an option, issuing of any Shares associated with any Employee Stock Ownership Plan, convertible note, warrant or other security convertible into shares in the Company granted by the Company prior to the Subscription Date; and/or

(b) an increase in the number of Shares on issue in the Company after the Subscription Date resultant from an Employee Stock Ownership Plan Event.

Adjustment Event Notification means a notification from the Company to the Investor stipulating the date of the Adjustment Event, the number of Shares issued by the Company as a result of an Adjustment Event.

Adjustment Shares means the number of Shares that the Investor may acquire at nil consideration as a result of an Adjustment Event calculated in accordance with **Part B of Schedule 1**.

AML means an “Australian market licence", as defined in section 761A of the Corporations Act, under which the licensee is authorised to operate a financial market (as defined in the Corporations Act).

Announced Amount means the amount in USD as published on the Investor’s Website of the “SEFtoken STO Raise Amount” prior to the Payment Date.

Board means the board of Directors of the Company.

Business Day means any day except a Saturday or a Sunday or other public holiday in New South Wales and or Delaware.

Company Business means:

(a) the operation of an AML; and

(b) any other fields determined by the Company from time to time.

Confidential Information means:

(a) Know How, Intellectual Property, Work Product (in any form) which is disclosed by the Company;

(b) any information derived from or containing any of the information described in (a) above;

(c) details of an Offer; and

(d) the Transaction Documents or other auxiliary agreements or other information concerning this Agreement.

Constitution means the constitution of the Company, as amended from time to time.

Corporations Act means the *Corporations Act 2001* (Commonwealth of Australia).

Cut-Off Date means May 7, 2019.

Director means a director of the Company appointed under the Constitution and **Directors** means any or all such Directors.

Derivative has the meaning given to "derivative" in section 761D of the Corporations Act.

Employee Stock Ownership Plan means any plan available to employees of the Company whereby employees may be issued Shares as part consideration for their services as employees to the Company.

Employee Stock Ownership Plan Event means the issuing of Shares by the Company pursuant to an Employee Stock Ownership Plan:

(a) within eighty-four (84) months after the Subscription Date, where the right to the Shares subject of the issue was granted after the Subscription Date; and/or

(b) post eighty-four (84) months from the Subscription Date, where the right to the Shares subject of the issue was granted within eighty-four (84) months after the Subscription Date.

Encumbrance means any:

(a) security for the payment of money or performance of obligations including a mortgage, charge, lien, pledge, trust, power, title retention or flawed deposit arrangement;

(b) right, interest or arrangement which has the effect of giving another person a preference, priority or advantage over creditors including any right of set-off;

(c) third party right or interest or any right arising as a consequence of the enforcement of a judgment;

(d) "security interest" as defined in the *Personal Property Securities Act 2009* (Cth),

or any agreement to create any of them or allow them to exist.

Fully Diluted Investor Holding means the percentage shareholding in the Company held by the Investor upon completion of the Share Subscription calculated in accordance with Schedule 1 which cannot be less than 11.75% or greater than 47%.

Intellectual Property means all intellectual property and proprietary rights (whether registered or unregistered), including present and future rights conferred by statute, common law or equity in or in relation to copyright, trademarks, Work Product, designs, patents, circuit layouts, business and domain names, inventions, know-how, confidential information and other results of intellectual activity in the industrial, commercial, scientific, literary or artistic fields, whether or not registrable, registered or patentable).

Investor's Website means www.seftoken.io.

Key Assets includes the Intellectual Property assets of the Company, Know How, Licences, Work Product and any commercial agreements of the Company.

Know How means all unpatented technical and other information not in the public domain including inventions, discoveries, concepts, data, formulae, ideas, specifications, designs, architectures, procedures, experiments and test results, laboratory records, trial data, case reports, data analyses, summaries, submissions to and information from regulatory bodies.

Licences means all statutory licences, approvals, certificates, authorisations, regulations, concessions, permissions or exceptions necessary under any law, statute, ordinance, rule, regulation, by-law, scheme, permit or other statutory provision (whether foreign, commonwealth, state or municipal) or by any governmental, semi-governmental or municipal authorities, other relevant town planning authorities or other regulatory authorities necessary or desirable for the conduct of the Company Business, including the AML.

Material Amount means AUD 2,000,000.

Payment Date means May 31, 2019 or other date mutually agreed by the parties in writing.

Price Adjustment Event means the issuing of shares by the Company within eighty-four (84) months after the Subscription Date, other than an Adjustment Event, where the Price Adjustment Event Issue Price is less than the Subscription Price.

Price Adjustment Event Notification means a notification from the Company to the Investor stipulating the date of a Price Adjustment Event and the number of Shares issued by the Company as a result of the Price Adjustment Event.

Price Adjustment Shares means the number of Shares that the Investor may acquire at nil consideration as a result of a Price Adjustment Event calculated in accordance with **Part C of Schedule 1**.

Shareholder means those persons holding ordinary shares in the Company from time to time (as the context requires).

Shares means ordinary shares and in the capital of the Company (as the context requires).

Share Subscription Consideration means the sum as calculated in accordance with Schedule 1.

Subscription Condition means the condition set out in **Clause 2.1**.

Subscription Date means the date that is seven (7) days after the satisfaction or waiver of the Subscription Conditions or such other date agreed by the parties in writing.

Subscription Price means an amount equal to the Share Subscription Consideration divided by the Subscription Shares.

Subscription Shares means the number of fully paid ordinary shares in the Company to be subscribed for by the Investor on the Subscription Date calculated in accordance **Part A of Schedule 1**.

Transaction Documents means:

(a) this agreement; and

(b) any other agreements necessary and proper to effect the investment.

Work Product means computer code (in object code and source code forms), programming code, data, specifications, work-up files, website content (including HTML script, designs, forms, text, music, graphics, photographs and videos), documents, designs architectures, spreadsheets, flowcharts, records,(electronic or hard copy) and other materials, in whatever form, relating to or developed in connection with, or arising out of or resulting from use of, the Intellectual Property in any field of application.

1.2 Interpretation

In this agreement, unless the context otherwise requires:

(a) singular includes plural and plural includes singular;

(b) words of one gender include any gender;

(c) "$" or "dollars" or "USD" is a reference to currency of the United States of America;

(d) reference to legislation includes any amendment to it, any legislation substituted for it, and any subordinate legislation made under it;

(e) reference to a person includes a corporation, firm and any other entity;

(f) reference to a party includes that party's personal representatives, successors and permitted assigns;

(g) headings do not affect interpretation;

(h) a provision must be read down to the extent necessary to be valid. If it cannot be read down to that extent, it must be severed;

(i) if a thing is to be done on a day which is not a Business Day, it must be done on the Business Day after that day;

(j) another grammatical form of a defined expression has a corresponding meaning;

(k) an expression defined in the Corporations Act has the meaning given by the Corporations Act;

(l) a reference to "including" should be read as "including, without limitation";

(m) no rule of construction applies to the disadvantage of a party because that party put forward this document or any portion of it; and

(n) where this agreement refers to the "satisfaction," "consent," "approval," or similar indication of assent or consent on the part of any party in relation to a particular matter, in the absence of an express qualification that the party in question act "reasonably" or "in good faith" or in a particular manner, such party may withhold the same for any reason in its absolute discretion.

2. Subscription Condition

2.1 (**Subscription Condition**) The Company's obligation to issue Subscription Shares under clause 3 is subject to Company receiving a duly signed application form for the Subscription Shares substantially in the form as set out in Schedule 2 on or before the Cut-Off Date.

2.2 The parties acknowledge that the Subscription Condition set out in clause 2.1 is for the benefit of the Company and may only be waived by the written waiver of the Company.

2.3 Each party must use all reasonable endeavours within its own capacity to ensure that the Subscription Condition is satisfied before the Cut-Off Date.

2.4 The Cut-Off Date may be amended with the prior written agreement of both the Company and the Investor.

2.5 Either the Company or the Investor (provided it is not in breach of this document) may terminate this Agreement by giving written notice to the other if the Conditions Precedent is not satisfied or waived in accordance with clause 2.2 by the Cut-Off Date.

2.6 If this Agreement is terminated under clause 2.5 then in addition to any other rights provided by law:

(a) each party is released from its obligations to continue performance under this Agreement; and

(b) each party retains the rights it has against any other party in respect of any breach which occurs before this Agreement is terminated.

2.7 The Company agrees that the Share Subscription Consideration will be used substantially in the manner set out in **Schedule 6 (*Use of Funds*)**.

3. Subscription & Payment

3.1 Where the Subscription Condition is satisfied the Investor agrees:

(a) to subscribe for Subscription Shares by delivering to the Company a duly signed application form on or before the Cut-Off Date for the Subscription Shares substantially in the form set out in Schedule 2; and

(b) pay the Share Subscription Consideration for such number of Subscription Shares to the Company in Immediately Available Funds or as otherwise agreed between the Company and the Investor on or before Payment Date.

3.2 The Payment Date may be amended with the prior written agreement of both the Company and the Investor.

3.3 Immediately upon receiving a duly signed application form for the Subscription Shares substantially in the form set out in Schedule 2, the Company must;

(a) issue the Subscription Shares to the Investor;

(b) issue the Investor with a certificate for the Subscription Shares; and

(c) enter the name of the Investor in the register of members of the Company to reflect the issue of the Subscription Shares.

4. Failure to pay Share Subscription Consideration by Payment Date

4.1 Where the Company has issued the Subscription Shares in accordance with **Clause 3.2** and the Investor fails to pay the Share Subscription Consideration by the Payment Date, the Company will give the Investor a Non-Payment Notice which will require the Investor to remit the Share Subscription Consideration within seven (7) days from the date of the Non-Payment Notice.

4.2 If the Investor fails to remit the Share Subscription Consideration in accordance with the Non-Payment Notice, the Company may, without further notice, cancel any or all of the Subscription Shares issued and strike the Investor's name from the Company's register of members.

4.3 If the Subscription Condition is not satisfied or has not been waived by the Cut-Off Date, the Investor is not obliged to subscribe for the Subscription Shares.

5. Subscription Shares, Adjustment Shares, Price Adjustment Shares and Transfer of Rights

5.1 When issued, the Subscription Shares must:

(a) be credited as fully paid; and

(b) be free from any Encumbrance.

5.2 If an Adjustment Event occurs, the Company must issue the Investor Adjustment Shares in respect of each Adjustment Event at no additional consideration within twenty eight (28) days of the Adjustment Event occurring.

5.3 The Company will issue the Investor with an Adjustment Event Notification within five (5) Business Days of an Adjustment Event occurring. The Adjustment Event Notification will stipulate the amount of Adjustment Shares that the Company must issue to the Investor in respect of each Adjustment Event.

5.4 If an Price Adjustment Event occurs, the Company must issue the Investor Price Adjustment Shares in respect of each Price Adjustment Event at no additional consideration within twenty eight (28) days of the Price Adjustment Event occurring

5.5 The Company will issue the Investor with a Price Adjustment Event Notification within five (5) Business Days of a Price Adjustment Event occurring. The Price Adjustment Event Notification will stipulate the amount of Price Adjustment Shares that the Company must issue to the Investor in respect of each Price Adjustment Event.

5.6 For the avoidance of doubt, there may be one or more allotment and issuing of Subscription Adjustment Shares and/or Subscription Price Adjustment Shares by the Company provided there is one or more Adjustment Event or Price Adjustment Event that satisfy the requirements of this Clause 5.

5.7 While the Investor is a Shareholder in the Company, at any time after the Subscription Date, where the Company seeks to raise capital by the issue of shares, the Company agrees that it will offer the Investor to participate in such issuances of Shares under the same terms and conditions as those offered to other potential investors.

5.8 Within twenty eight (28) days of any Adjustment Event or Price Adjustment Event, the Company must promptly:

(a) issue the number of Adjustment Shares or Price Adjustment Shares to the Investor;

(b) issue the Investor with a certificate for the number of Adjustment Shares or Price Adjustment Shares; and

(c) enter the name of the Investor in the register of shareholders of the Company to reflect the issue of the Adjustment Shares or Price Adjustment Shares.

5.9 When issued, the Adjustment Shares or Price Adjustment Shares must:

(a) be credited as fully paid; and

(b) be free from any Encumbrance.

5.10 The rights with respect to Adjustment Shares and Price Adjustment Shares attached to the Shares are fully transferable.

6. Warranties

6.1 (**Company warranties**) The Company represents and warrants to the Investor at the date of this agreement and as at the Subscription Date by reference to the facts and circumstances existing at that date, that to the best of its knowledge and belief, the representations and warranties set out in Schedule 3 are true and correct in all material respects.

6.2 (**Investor warranties**) The Investor represents and warrants to the Company at the date of this agreement and as at the Subscription Date by reference to the facts and circumstances existing at that date, that to the best of its knowledge and belief, the representations and warranties set out in Schedule 4 are true and correct in all material respects.

7. Limitation of Liability

7.1 (**Notice of claims**) The Company is not liable to make any payment (whether by way of damages or otherwise) for any breach of any warranty unless:

(a) notice of a claim against the Company is given by the Investor to the Company setting out full details including details of the fact, circumstance or matter giving rise to the breach as soon as reasonably practicable but in any event within sixty (60) Business Days after the Investor becomes aware of the fact, circumstance or matter on which the claim is based and, in any event, on or before the date that is two (2) years from the date of this agreement; and

(b) within nine (9) months after the Company has received that notice, the claim has been:

(1) admitted or satisfied by the Company;

(2) withdrawn by the Investor;

(3) settled between the Company and the Investor; or

(4) referred to a court of competent jurisdiction by the Investor properly issuing and validly serving legal proceedings against the Company in relation to the claim,

(5) otherwise, the claim will be taken to be waived or withdrawn and will be barred and unenforceable.

7.2 (**Maximum liability**) The maximum aggregate amount that the Investor may recover from the Company (whether by way of damages or otherwise) under the warranties is limited to the aggregate amount paid by the Investor under this agreement on the date on which notice is received by the Company.

7.3 (**No consequential loss**) The Company is not liable to make any payment (whether by way of damages or otherwise) to the Investor for any indirect, consequential or economic loss or loss of profits, however arising.

8. Dispute Resolution

8.1 In the event of a dispute in relation to this agreement, the dispute is to be resolved in accordance with this clause 8.

8.2 Any question or difference which may arise concerning the construction, meaning or effect of this agreement, or any other dispute arising out of or in connection with this agreement will in the first instance be referred to the CEO of the Company and the Managing Director of the Investor for discussion and resolution as soon as reasonably possible.

8.3 If the unresolved matter fails to be resolved within twenty-one (21) days of the commencement of the process in Clause 8.2, the parties must mediate the dispute in accordance with the Mediation Rules of the Law Society of New South Wales and the President of the Law Society of New South Wales or the President's nominee will select the mediator and determine the mediator's remuneration (which will be shared equally by the parties).

8.4 The mediator's decision will not be binding on either party.

8.5 Neither party may initiate any legal action until the process has been completed, unless such party has reasonable cause to do so to avoid damage to its business or to protect or preserve any right of action it may have.

9. Confidential Information

9.1 Subject to any exceptions provided below in this clause 9.1, each of the parties agrees in relation to Confidential Information:

(a) to use the Confidential Information only for the purpose of the conduct of the Company Business and, in respect of the Investors, to make decisions regarding their investments in the Company;

(b) to keep all Confidential Information confidential and not disclose it or otherwise allow it to be disclosed except that the obligations of confidentiality under this agreement do not extend to information that (whether before or after this agreement is executed):

(1) is information which is in or comes into the public domain (other than as a result of a breach of confidence by any person);

(2) an auditor, officer, employee, agent or contractor of, or adviser to, the Investor has a 'need to know' and who is bound to, or agrees to, keep the information confidential;

(3) is disclosed to a third party where that party is a related body corporate or shareholder of, or potential investor in, the Investor where that person agrees to keep the information confidential;

(4) the Investor wishes or is required to disclose to its shareholders, the members of advisory and investment committees of the funds on whose behalf the Investor is investing, but only if the disclosure is made on a confidential basis;

(5) is required to be disclosed for the purposes of or in connection with any actual pending or threatened legal proceedings or any advice in connection with any possible legal proceedings involving the Investor or Director or any of their officers, employees or agents;

(6) if required to be disclosed by:

(A) any order of any court, tribunal, authority or regulatory body in connection with the enforcement of this agreement;

(B) any competent supervisory, governmental or regulatory authority;

(C) the listing rules of any securities exchange; or

(D) statute or law; or

(7) is public knowledge (otherwise than as a result of a breach of this agreement or any other obligation of confidence)

and to the extent there is no applicable 'commercial in confidence' (or equivalent exception) applicable; and

(c) to establish and maintain all necessary security measures to maintain the confidential nature of any confidential information provided in any medium, in no event less than the same degree of care that they would take to protect their own confidential and proprietary information of similar importance.

9.2 In the event of a disclosure required by law, including but not limited to disclosure to the ASIC, the Company would use its best efforts (and cooperate with the other party's efforts) to obtain confidential treatment of materials so disclosed.

9.3 The Investor, shareholders of the Investor, officers or employees of the Investor may not make any press or other announcements, releases or other disclosures relating to the Company without the approval of the Board (which must not be unreasonably withheld or delayed) unless required by law or it contains solely information which is in the public domain.

9.4 The obligations of confidentiality in this clause 9 survive termination of this agreement.

10. Entire Agreement

10.1 When signed, the Transaction Documents constitute the entire agreement between the parties in relation to their subject matter.

10.2 As soon as reasonably practicable following the execution of the Transaction Documents, the Company will prepare and deliver to the Investor a “deal bible” containing a copy of the executed Transaction Documents and any other documents contemplated by or related to the Transaction Documents.

11. Amendment

11.1 This agreement can only be amended by written agreement of the parties to this Agreement.

12. No Waiver

12.1 A party only waives a breach of this agreement if the waiver is given in writing signed by that party or its authorised representative. A waiver is limited to the instance referred to in writing (or if no instance is referred to in the writing, to past breaches).

12.2 Failure or omission by any party to enforce compliance with any provision of this agreement will not affect the rights of that party to use any remedy available to it in respect of the breach of any such provision.

13. Notice

13.1 Any notice, consent or agreement given in connection with this agreement must be in writing and in English, and may be given by an authorised representative of the sender.

13.2 Notice may be given to a party:

(a) personally;

(b) by leaving it at the person's address last notified;

(c) by sending it by pre-paid mail to the person's address last notified; or.

(d) by sending it by email to the person's email address last notified.

13.3 Notice is deemed to be received by a party:

(a) when left at the person's address;

(b) if sent by pre-paid mail, three Business Days after posting or five Business Days in the case of a notice sent to or from a place outside Australia; or

(c) if sent by email, at the time and on the day shown in the sender's transmission report.

13.4 At the date of this agreement, the last notified addresses of the respective parties are as set out in the 'Parties' section of this agreement.

13.5 A party may change its address or facsimile number for service by giving at least one Business Day's notice to the other party.

14. Costs

14.1 Each party must bear its own costs of, and incidental to, the preparation of the Transaction Documents.

14.2 Each party must bear its own costs of, and incidental to, the review of the Transaction Documents and any legal, tax and other advice in respect to the Transaction Documents.

15. Governing law

15.1 This agreement is governed by the laws of New South Wales. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and the courts of appeal from them in respect of any disputes arising under or relating to this agreement.

15.2 No party may object to the jurisdiction of any of those courts on the ground that it is an inconvenient forum or that it does not have jurisdiction.

16. Counterparts

16.1 This agreement may be executed in any number of counterparts. A counterpart may be a facsimile. Together all counterparts make up one instrument.

Execution

Executed as an agreement on

Signed for and on behalf of Mercari Pty Limited
(ACN 102 928 727) in accordance with
Section 127 of the Corporations Act 2001

....	....
Director	Director/ Secretary
....	....
Name	Name

Signed for and on behalf of SEFtoken, Inc.

....	....
Director	Date
....	
Name	

Schedule 1 – Part A Investor Share Subscriptions

Part A – Subscription Shares

$$S = \left[\frac{S_p}{[1 - H_f]} \right] - S_p$$

Where:

S_p	Total number of shares on issue immediately prior to the Subscription Date
S	Subscription Shares
H_F	Fully Diluted Investor Holding is = (Announced Amount)/ 265,957,447

Schedule 1 – Part B Investor Share Subscriptions

Part B – Adjustment Shares

$S_A = H_F \times S_E$

Where:

S_A	Adjustment Shares
S_E	The number of Shares in the Company issued as a result of an Adjustment Event
H_F	Fully Diluted Investor Holding is equal to (Announced Amount)/ 265,957,4467

Schedule 1 – Part C Investor Share Subscriptions

Part C – Price Adjustment Shares

$Ps = min(Z,N)*x/y + max(Z-N,0) - Z$

Where:

Ps	Price Adjustment Shares
Z	Subscription Shares
N	Number of Shares issued at Y where Y is less than X
y	Price Adjustment Event Issue Price
X	Subscription Price

Schedule 2 – Share Application Form

Share Application

The Directors
Mercari Pty Limited
PO Box R506
ROYAL EXCHANGE, NSW 1225

Date:

Directors,

SEFtoken, Inc., (Insert Investor Address) (**Subscriber**) hereby applies for [*Number of shares*] fully paid ordinary shares (**Shares**) in Mercari Pty Limited (ACN 102 928 727) (**Company**).

The shares will be issued in accordance with [Clause 3 Clause 5] of the Share Issue & Subscription Agreement between the Subscriber and the Company dated [*SISA execution date*].

The Subscriber agrees:

1. That it will accept the Shares upon issue and allotment;
2. To its name being entered in the Company's register of members in respect of the Shares; and
3. To be bound by the constitution of the Company in respect of the Shares; and
4. It will pay to the Company USD $ (INSERT Share Subscription Consideration) by the (INSERT Payment Date).

SIGNED for an on behalf of

SEFtoken, Inc.

By authority of its directors

....
Director

Schedule 3 – Company Warranties

1. **General Warranties**

   (a) The Company is incorporated under the Corporations Act.

   (b) The Company has power to enter into and perform this agreement and all necessary action has been taken or will be taken to authorise the execution, delivery and performance of its obligations under this agreement.

   (c) The entry into and the performance of this agreement by the Company does not constitute a breach of any obligation (including without limitation, any statutory, contractual or fiduciary obligation) or default under any agreement or undertaking, by which it is bound.

2. **Extended Warranties**

2.1. Finances

   (a) The Company is able to pay its debts as and when due.

2.2 Company Business

   (b) The only business undertaken by the Company since its date of incorporation is the Company Business and, since the Accounts Date, the Company has carried on that Company Business in the ordinary and usual course and has not entered into any contracts or arrangements other than those which a business of its kind would usually enter into in the ordinary course of business.

   (c) The Company Business is conducted by the Key Personnel.

2.3 Intellectual Property Rights

   (a) the Company has valid and binding exclusive rights to its Intellectual Property;

   (b) the Company has not received any notice of any claims against the Company challenging the Company's right to use any of its Intellectual Property;

   (c) the Company has not granted any licences or other rights over any of its Intellectual Property;

   (d) no person other than the Company has rights to, or may benefit from, any of its Intellectual Property;

   (e) there is no mortgage, charge, lien, pledge or other security interest in or over the Company's Intellectual Property;

   (f) there has not been any infringement or suspected infringement by any third party of any of any of the Company's Intellectual Property rights;

   (g) all Know How forming part of the Intellectual Property is secret and there has not been any misuse or unauthorised disclosure of the Know How or any other confidential information of the Company by any person;

   (h) there has not been any other act or omission by any person which affects the validity or enforceability of the Company's Intellectual Property rights or the ability to exploit the Intellectual Property; and

   (i) there are no restrictions on the use of the Company's Intellectual Property.

2.4 Litigation

(a) The Company is not involved in any litigation or arbitration proceedings the result of which would lead to an award of damages against the Company in excess of a Material Amount.

(b) Neither the Company nor its assets are subject to any unsatisfied judgment or any order, award or decision handed down in any litigation or arbitration proceedings.

2.5 Taxation

(a) The Company has no outstanding tax returns due to be filed.

(b) There are no current disputes pending between the Company and the Commissioner of Taxation.

2.6 Laws

The Company:

(a) is in material compliance with all laws applicable to the Company;

(b) holds and has complied with all Licences and all conditions and notices attaching or applicable to the Licences, and has complied with all restrictive covenants and exceptions and reservations to user affecting the Company Business; and

(c) is not aware of any facts which might prejudice the renewal of, or result in the revocation or variation in any material respect of, the Licences or any other licence held by the Company.

2.7 Information

(a) All information disclosed by the Company to the Investor is true and correct in all material respects and is not, whether by omission of information or otherwise materially misleading or deceptive or likely to mislead or deceive.

(b) The Company has disclosed to the Investor all of the information relating to the Company which a prudent intending purchaser of Shares would want to know.

Schedule 4 – Investor Warranties

1 General Warranties

(a) It is duly incorporated in the jurisdiction in which it is incorporated.

(b) It has the power to enter into and perform this agreement and has obtained all necessary consents and authorisations to enable it to do so.

(c) The entry into and the performance of this agreement does not constitute a breach of any obligation (including without limitation, any statutory, contractual or fiduciary obligation) or default under any agreement or undertaking by which it is bound.

2 Extended Warranties

(a) In subscribing for the Subscription Shares, it is acknowledged that:

(1) the Company is a FINTECH company;

(2) there is no assurance of future income from, or capital growth in respect of the Subscription Shares or Subscription Adjustment Shares; and

(3) the Company is an illiquid investment.

(b) The Investor has read and understood and obtained such professional advice as required in relation to:

(1) this agreement; and

(2) the consequences of subscribing for and owning shares in the Company.

(c) The Investor has fully informed itself and relied on the representation and warranties provided by the Company in this agreement and their own judgement in deciding whether or not to enter into this agreement.

Schedule 5 – Share Subscription Consideration

The Share Subscription Consideration will be a minimum of:

$S_{sc} = A_m - F - A_m(6.3\%)$

Where:

S_{sc}	Minimum Share Subscription Consideration
A_m	Announced Amount
F	1,300,000

.

Schedule 6 – Use of Funds

1. For expenditure required by the Company to pursue the Company Business once it has received the **Australian Securities and Investments Commission Confirmation**, including the trading of Derivatives on its trading platform.
2. For expenditure required by the Company to fulfil is regulatory obligations regarding maintaining sufficient capital resources, sufficient technology and sufficient personnel as required by Chapter 7 of the Corporations Act.
3. The funds may not be used for the repayment of any non-operational debt or a purpose that is inconsistent with the Company Business.
4. Subject to regulatory approval, the Company proposes to use the proceeds to of the Share Subscription Consideration as follows:

Mercari Use of Funds	Soft Cap	Hard Cap
Held for the significant regulatory capital and additionally the working capital to further expand and develop the current operational eSEF infrastructure. Build and deploy the Mercari DLT Execution System to cater for T+0 settlement on existing ASIC approved financial products as well as development of the Mercari Tokenized Securities Market being development of the proprietary DLT platform for trading of financial products and tokenized Securities (subject to regulatory approval).	55%	45%
Legal and Regulatory work on regulatory applications for license variation, rule changes and other regulatory applications for the approval of the listing of the meta class of tokenised securities. Design and development of new product categories to cater for Australian regulated framework.	10%	7%
Participation and joint venture in regulated market infrastructure projects in first world jurisdictions.	25%	40%
Investment in FMI connectivity for expansion of sales distribution into global markets for current and proposed digital products (subject to regulatory approval) and general marketing for the exchange infrastructure.	10%	8%

ANNEXURE B

MERCARI AUSTRALIAN MARKET LICENCE

Australian Market Licence (Mercari Pty Limited) 2005

I, CHRIS PEARCE, Parliamentary Secretary to the Treasurer, grant this Licence under subsection 795B (1) of the *Corporations Act 2001*.

Dated 30TH MAY 2005

Parliamentary Secretary to the Treasurer

Contents

1	Name of Licence	1
2	Commencement	1
3	Definitions	2
4	Grant of licence	2
5	Classes of financial products	2
6	Clearing and settlement arrangements	2
7	Participants	3
8	Reporting	3

---

1 Name of Licence

This Licence is the *Australian Market Licence (Mercari Pty Limited) 2005.*

2 Commencement

This Licence commences when it is granted.

3 Definitions

In this Licence:

Act means the *Corporations Act 2001*.

Australian financial services licence has the same meaning as in section 761A of the Act.

derivative has the same meaning as in section 761D of the Act.

market means the financial market that Mercari Pty Limited is authorised to operate in Australia under this Licence.

Mercari surveillance officer means a member of the staff of Mercari Pty Limited who is responsible for the supervision of the market, including the monitoring of the conduct of participants on or in relation to the market and the enforcing of compliance with the operating rules of the market.

participant has the same meaning as in section 761A of the Act.

quarter means a period of 3 months, ending on 31 March, 30 June, 30 September and 31 December, in each year during which the market is operated.

wholesale client has the same meaning as in section 761G of the Act.

Note For the definition of ***ASIC***, see section 9 of the Act.

4 Grant of licence

This Licence is granted to Mercari Pty Limited to operate the financial market, known at the time this Licence is granted as Mercari Direct, through which participants acting on their own behalf may enter into trades with each other in the financial products mentioned in section 5.

5 Classes of financial products

The classes of financial products that can be dealt with on the market are:

(a) interest rate derivatives; and

(b) foreign exchange derivatives;

the terms of which are documented in an agreement between the parties to the arrangement that constitutes the derivative that is substantially in the form of a commonly used master agreement, such as a master agreement published by the International Swaps and Derivatives Association Inc.

6 Clearing and settlement arrangements

(1) Mercari Pty Limited must, following the execution of a transaction on the market, notify each participant that is a party to the transaction of the identity of the other party.

(2) The operating rules for the market must provide for transactions effected through the market to be settled by the parties to the transaction.

0507722A-050526Z 26/05/2005 8:29 am

7 Participants

(1) Mercari Pty Limited must ensure that each participant in the market is a wholesale client and:

(a) holds an Australian financial services licence; or

(b) is exempt from holding an Australian financial services licence.

(2) Mercari Pty Limited must ensure that participants in the market trade only on their own behalf.

8 Reporting

Mercari Pty Limited must give the following information to ASIC within 14 days after the end of each quarter occurring during the first 2 years of operation of the market:

(a) a statement of cash flows for the quarter;

(b) a statement of financial performance for the quarter;

(c) a statement of financial position at the end of the quarter;

(d) the current opinion of the directors of Mercari Pty Limited as to whether they believe Mercari Pty Limited will be able to pay its debts as and when they become due and payable;

(e) the current opinion of the directors of Mercari Pty Limited as to whether they believe Mercari Pty Limited has sufficient financial resources to continue to meet its market licensee's obligations;

(f) a report detailing:

(i) all supervision issues identified by the Mercari surveillance officer; and

(ii) all matters referred by the Mercari surveillance officer to the directors of Mercari Pty Limited for consideration; and

(iii) the outcome of the directors' deliberations about those matters and the reasons for the outcome.

0507722A-050526Z 26/05/2005 8:29 am

Australian Market Licence (Mercari Pty Limited) Variation Notice 2010 (No. 1)

Corporations Act 2001

I, DAVID BRADBURY, Parliamentary Secretary to the Treasurer, make this Variation under section 796A of the *Corporations Act 2001*.

Dated 9-12-10

Parliamentary Secretary to the Treasurer

1. Name of Variation

This Variation is the *Australian Market Licence (Mercari Pty Limited) Variation Notice 2010 (No. 1)*.

2. Commencement

This Variation commences on the date it is notified in the *Gazette*.

3. Variation

The Schedule varies the *Australian Market Licence (Mercari Pty Limited) 2005*.

Schedule Variation

(Section 3)

[1] Section 3

insert the following definitions

environmental compliance scheme means arrangements relating to obligations about generation of renewable energy or the reduction in the emission of gases into the atmosphere.

environmental derivatives means derivatives where the amount of consideration or the value of the arrangement is ultimately determined, derives from or varies by reference to the value of an instrument, right or obligation in or arising from an environmental compliance scheme:

(a) of the Commonwealth or of any State or of the Australian Capital Territory or of the Northern Territory or of Norfolk Island; or

(b) that the Commonwealth or any State or the Australian Capital Territory or the Northern Territory or Norfolk Island is a party to or participant in; or

(c) of any foreign state that may have been established to meet or assist in meeting the obligations that the foreign state may have under the *United Nations Framework Convention on Climate Change* done at New York on 9 May 1992, amended and in force from time to time, including any protocol to that convention, for example the Kyoto Protocol.

retail client has the same meaning as in s 761G of the Act.

[2] Section 3, definition of *wholesale client*

omit the definition

[3] Section 3, the note

substitute

Note For the definition of ***ASIC*** and ***professional investor***, see section 9 of the Act.

[4] **Section 4**

substitute

4. Grant of Licence

This Licence is granted to Mercari Pty Limited to operate the financial market, known at the time this Licence is granted as Mercari Direct, through which participants acting on their own behalf or on behalf of persons who are not retail clients may enter into trades with each other in the financial products mentioned in section 5.

[5] **Section 5**

omit

(a) interest rate derivatives; and

(b) foreign exchange derivatives;

substitute

(a) interest rate derivatives;

(b) foreign exchange derivatives;

(c) commodity derivatives;

(d) energy derivatives; and

(e) environmental derivatives;

[6] **Section 7**

substitute

7. Participants

Mercari Pty Limited must not allow a person to be a participant in the market unless Mercari Pty Limited is satisfied on a reasonable basis that:

(a) the person is a professional investor; and

(b) where the person enters into transactions on the market on behalf of another person, that other person is not a retail client.

ANNEXURE C

MERCARI AUSTRALIAN FINANCIAL SERVICES LICENCE

Australian Financial Services Licensee

MERCARI PTY LTD
AFS Licence Number 229935

Extracted from ASIC's database at AEST 09:24:40 on 28/09/2018

Current Details	
Name:	MERCARI PTY LTD
Licence Number:	229935
Status:	Current
ABN:	48 102 928 727
Commenced:	17/07/2003
Addresses	
Principal Business Address:	Level 1, 7 Bridge Street, SYDNEY NSW 2000
Service Address:	Level 1, 7 Bridge Street, SYDNEY NSW 2000
Roles	
Role:	Auditor of FS Licensee
Name:	LNP AUDIT AND ASSURANCE PTY LTD
Commenced:	13/07/2017
Licence Authorisation Conditions	
From:	23/11/2012
Details:	1. This licence authorises the licensee to carry on a financial services business to: (a) provide financial product advice for the following classes of financial products: (i) derivatives; (ii) foreign exchange contracts; (iii) carbon units; (iv) Australian carbon credit units; and (v) eligible international emissions units; and (b) deal in a financial product by: (i) arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of the following classes of financial products: (A) derivatives; and (B) foreign exchange contracts; and (ii) arranging for another person to apply for, acquire, vary or dispose of financial products in respect of the following classes of financial products: (A) derivatives; (B) foreign exchange contracts; (C) carbon units; (D) Australian carbon credit units; and (E) eligible international emissions units; to wholesale clients.
From:	30/09/2009
Details:	1. This licence authorises the licensee to carry on a financial services business to:

Licence Authorisation Conditions	
	(a) provide financial product advice for the following classes of financial products: (i) derivatives; and (ii) foreign exchange contracts; and (b) deal in a financial product by: (i) arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of the following classes of financial products: (A) derivatives; and (B) foreign exchange contracts; and (ii) arranging for another person to apply for, acquire, vary or dispose of financial products in respect of the following classes of financial products: (A) derivatives; and (B) foreign exchange contracts; to wholesale clients.
From: Details:	17/07/2003 1. This licence authorises the licensee to carry on a financial services business to: (a) provide financial product advice for the following classes of financial products: (i) derivatives; and (ii) foreign exchange contracts; and (b) deal in a financial product by: (i) arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of the following classes of financial products: (A) derivatives; and (B) foreign exchange contracts; and (ii) arranging for another person to apply for, acquire, vary or dispose of financial products in respect of the following classes of financial products: (A) derivatives; and (B) foreign exchange contracts; to wholesale clients.

Further information relating to this Licensee may be purchased from ASIC.

ANNEXURE D

MERCARI AUDITED ACCOUNTS
FOR FINANCIAL YEAR 2017-2018

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("group") for the financial year ended 30 June 2018.

The names of the directors in office at any time during or since the end of the year are:

Mr Brian J Price

Mr Thomas J Price

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The loss of the consolidated entity for the financial year after providing for income tax amounted to $376,421 (2017: profit of $353,577)

The principal activities of the group during the financial year were the operation of an electronic swaps execution facility under the Mercari Australian Market License. Mercari Pty Limited ("the company") is licensed to operate markets for energy, commodity and environmental derivatives, in addition to interest rate and foreign exchange derivatives. The company also provides market services to participants trading in particular non-financial products. There has been no significant change in the nature of these activities during the year.

A review of the operations of the consolidated entity during the financial year, and the results of those operations show that market volumes continued to increase (13.6%) over the period and the company is actively engaged with industry bodies to develop new agricultural commodities product tailored to market requirements. We have continued to invest in the development of our proprietary technology platform as well as continuing to strengthen our regulatory infrastructure and list new product for trading. Revenue for the current year has increased from $125,596 to $130,831. Operating expenses decreased by $102,230 or 17% principally as a result of a reduction in parent entity cost allocation.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

There were no dividends paid or declared since the start of the financial year.

There were no options issued during the current year.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

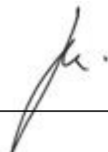
The company was not a party to any such proceedings during the year.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

Signed in accordance with a resolution of the Board of Directors:

Director



Mr Brian Price

Dated this 28th day of September 2018

LNP Audit and Assurance

ABN 65 155 188 837
L14 309 Kent St Sydney NSW 2000
T +61 2 9290 8515
L24 570 Bourke Street Melbourne VIC 3000
T +61 3 8658 5928
www.lnpaudit.com

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF MERCARI PTY LIMITED

As lead auditor of Mercari Pty Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

LNP Audit and Assurance

Robert Nielson

Director

Sydney 28 September 2018

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018 $	2017 $
Revenue	4	130,831	125,596
Loan Forgiven		-	835,679
Employment costs		(325,893)	(414,600)
Telecommunications		(8,391)	(24,302)
Occupancy expenses		(43,248)	(39,066)
Professional fees		(12,269)	(11,066)
Market operating fees		(49,751)	(59,154)
Other expenses		(65,916)	(59,510)
Profit/(Loss) before income tax	5	(374,637)	353,577
Income tax expense	6	(1,784)	-
Profit/(Loss) for the year		(376,421)	353,577
Other comprehensive income for the year			
Total comprehensive profit/(loss) for the year		(376,421)	353,577

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	Consolidated Group	
		2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	281,964	286,084
Trade and other receivables	10	34,390	29,738
Other assets	11	120	3,925
Tax asset	12	467	467
TOTAL CURRENT ASSETS		316,941	320,214
NON-CURRENT ASSETS			
Deferred tax asset	12	-	1,784
TOTAL NON-CURRENT ASSETS		-	1,784
TOTAL ASSETS		316,941	321,998
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	116,972	98,388
Provisions	15	18,761	21,620
TOTAL CURRENT LIABILITIES		135,733	120,008
NON-CURRENT LIABILITIES			
Financial liabilities	14	6,130,812	5,781,506
Provisions	15	51,345	45,012
TOTAL NON-CURRENT LIABILITIES		6,182,157	5,826,518
TOTAL LIABILITIES		6,317,890	5,946,526
DEFICIENCY OF NET ASSETS		(6,000,949)	(5,624,528)
EQUITY			
Issued capital	16	290,026	290,026
Accumulated losses		(6,290,975)	(5,914,554)
TOTAL EQUITY		(6,000,949)	(5,624,528)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Ordinary	Accumulated losses	Total
	$	$	$
Balance at 30 June 2016	290,026	(6,268,131)	(5,978,105)
Total comprehensive profit	-	353,577	353,577
Balance at 30 June 2017	290,026	(5,914,554)	(5,624,528)
Total comprehensive profit	-	(376,421)	(376,421)
Balance at 30 June 2018	290,026	(6,290,975)	(6,000,949)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated Group	
		2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		137,962	106,879
Payments to suppliers and employees		(492,570)	(583,598)
Interest received		1,182	1,519
Net cash used in operating activities	19	(353,426)	(475,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings from related parties		349,306	524,501
Net cash provided by financing activities		349,306	524,501
Net Increase (decrease) in cash held		(4,120)	49,301
Cash at beginning of financial year		286,084	236,783
Cash at end of financial year		281,964	286,084

The accompanying notes form part of these financial statements.

The financial statements and notes represent those of Mercari Pty Limited (the "company") and the entities it controlled during the year (together the Group).

The financial statements were authorised for issue on 28th September 2018 by the directors of the company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Mercari Pty Limited. A controlled entity is any entity over which Mercari Pty Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 17 to the financial statements.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination.

Goodwill is recognised initially as the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

The Group’s ultimate parent entity, Financial and Energy Exchange Limited and its wholly owned Australian subsidiaries, have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Tax Office that it had formed an income tax consolidated group to apply from 19 October 2006. Mercari Pty Limited joined the tax consolidated group on 8 January 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. **Financial instruments**

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

d. **Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Consolidated Statement of Profit or Loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cost incurred in the development of software is not amortised until the software is complete and is capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

e. **Employee Benefits**

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

f. **Provisions**

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages and salaries. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages and salaries are recognised as a part of current trade and other payables in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as a part of employee benefits expense.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h. **Revenue and Other Income**

Revenue from exchange fees and brokerage fees are recognised at the point of matching an order on the market.

Annual participants' fees are recognised as revenue evenly over the year, whilst application fees are recognised at the time of approval.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.

Revenue from the rendering of other services is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

i. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

k. **Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by Accounting Standards or as a result of changes in accounting policy.

l. **New Accounting Standards for Application in Future Periods**

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

– AASB 9*: Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

– AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

l. **New Accounting Standards for Application in Future Periods (Cont.)**

- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 on disclosure within the Group's financial statements. They are not expecting a material impact on the recognition of revenue.

– AASB 16: *Leases* (Applicable to annual reporting periods beginning on or after 1 January 2019)

AASB 16 Leases will replace AASB 117 Leases and other related interpretations. The new lease standard will be effective from the annual reporting period commencing 1 July 2019. All leases should be recognised on the balance sheet at inception of the lease with the exception of short-term leases (less than 12 months) and leases of low-value assets. The lessee must recognise a right-of-use asset and a corresponding lease liability in the amount of the present value of the lease payments. Subsequent to this initial measurement, the right-of-use asset is depreciated over the lease term, whilst lease payments are separated into a principal and interest portion to wind up the lease liability over the lease term.

The group has no long term lease liabilities so there will be no material impact from this standard

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated group.

Key estimates

– *Going concern*

The financial statements have been prepared on a going concern basis.

Mercari Pty Limited is one of the operating units of the Financial & Energy Exchange Group. Funding of FEX Group companies is managed centrally through the ultimate parent entity, Financial & Energy Exchange Limited. At balance date Mercari Pty Limited has an excess of liabilities over assets of $6,000,949, which includes a liability of $6,130,812 owed to the ultimate parent entity. In these circumstances Mercari Pty Limited is dependent on the ongoing support of the ultimate parent entity to remain a going concern. Should this support cease it may affect the company's ability to remain a going concern.

The Directors have received a letter of support from Financial & Energy Exchange Limited which will ensure that all expenditure of the Group is provided by Financial & Energy Exchange Limited for at least 12 months from the date of this report. Therefore the Directors are satisfied that Mercari Pty Limited is a going concern at 30 June 2018.

– *Impairment*

The group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 3: PARENT INFORMATION	Parent Entity 2018 $	Parent Entity 2017 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	312,450	316,457
Non – current assets	100	1,884
TOTAL ASSETS	312,550	318,341
LIABILITIES		
Current liabilities	135,733	121,667
Non – current liabilities	6,182,157	5,826,518
TOTAL LIABILITIES	6,317,890	5,948,185
EQUITY		
Issued share capital	290,026	290,026
Accumulated losses	(6,295,366)	(5,919,870)
TOTAL EQUITY	(6,005,340)	(5,629,844)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	(375,496)	(486,279)
Total comprehensive loss	(375,496)	(486,279)

NOTE 4: REVENUE	Consolidated Group 2018 $	Consolidated Group 2017 $
Exchange fees	129,600	117,008
Brokerage fees	-	6,500
Interest	1,182	1,519
Other	49	569
	130,831	125,596

These notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated Group	
	2018	**2017**
NOTE 5: LOSS BEFORE INCOME TAX	**$**	**$**
Loss tax before income tax includes the following expenses:		
a. **Expenses**		
Operating lease payments	43,248	39,066

NOTE 6: INCOME TAX BENEFIT (EXPENSE)

The prima facie tax expense on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2018	2017
Prima facie tax payable on loss from ordinary activities before income tax at 27.5% (2017: 30%)	103,516	(106,072)
Add:		
Tax effect of:		
— Tax loss not recognised	(103,516)	(150,031)
— Tax effect of forgiven loan	-	256,103
— Other deferred tax items	(1,784)	-
Income tax attributable to entity	(1,784)	-

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

No remuneration was paid by Mercari Pty Limited to key management personnel.

NOTE 8: AUDITORS' REMUNERATION

	2018	2017
Remuneration of the auditor of the company for :		
— Auditing or reviewing the financial statements	12,000	10,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

	Consolidated Group	
	2018	**2017**
NOTE 9: CASH AND CASH EQUIVALENTS	**$**	**$**
Cash on hand	-	-
Cash at bank	281,964	286,084
	281,964	286,084

The effective interest rate on bank deposits was 0.52% (2017: 0.67%).

NOTE 10: TRADE AND OTHER RECEIVABLES

Credit risk – Trade & Other Receivables

The consolidated group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned below. The main source of credit risk to the group is considered to relate to the class of assets described as ‘trade and other receivables’.

			Past Due but Not Impaired (Days Overdue)				
2018	**Gross Amount $**	**Past Due and Impaired $**	**< 30 $**	**31–60 $**	**61–90 $**	**> 90 $**	**Within Initial Trade Terms $**
Trade receivables	34,390	-	-	-	-	-	34,390
Other receivables	-	-	-	-	-	-	-
Total	34,390	-	-	-	-	-	34,390
2017							
Trade receivables	29,738	-	-	-	-	-	29,738
Other receivables	-	-	-	-	-	-	-
Total	29,738	-	-	-	-	-	29,738

	Consolidated Group	
	2018	**2017**
NOTE 11: OTHER ASSETS	**$**	**$**
CURRENT		
Prepayments	120	3,925
NOTE 12: TAXATION		
CURRENT		
Tax asset	467	467
NON-CURRENT		
Deferred tax asset	-	1,784

	Note	Consolidated Group	
		2018	**2017**
NOTE 13: TRADE AND OTHER PAYABLES		**$**	**$**
CURRENT			
Trade payables and other payables		116,972	98,388

NOTE 14: FINANCIAL LIABILITIES			
NON-CURRENT			
Unsecured loan – ultimate parent entity	20	6,130,812	5,781,506

This is a non-recourse loan.

NOTE 15: PROVISIONS		
CURRENT		
Employee benefits	18,761	21,620
Non-Current		
Employee Benefits	51,345	45,012

NOTE 16: ISSUED CAPITAL

a. **Ordinary Shares**

10,000,000 (2017: 10,000,000) fully paid ordinary shares	290,026	290,026

Ordinary shares participate in dividends and the proceeds on winding up of the group in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. **Capital Management**

Management controls the capital of the company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

The company has agreed with ASIC that it will hold at least $220,000 cash at bank in support of its Australian Market License obligations.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned 2018	2017
Controlled Entities Consolidated		**%**	**%**
Mercari Energy Pty Limited	Australia	100	100

NOTE 18: EVENTS AFTER THE BALANCE SHEET DATE

There are no material events that have occurred after balance date which require disclosure in the financial statements.

NOTE 19: CASH FLOW INFORMATION	Consolidated Group 2018	2017
Reconciliation of Cash Flow from Operations with Loss after Income Tax	**$**	**$**
Profit / (Loss) after income tax	(376,421)	353,576
Non-cash flows in loss		
— Depreciation and amortisation	-	-
— Loan Forgiveness	-	(835,679)
— Employee provisions	3,474	(17,877)
Changes in assets and liabilities		
— (Increase)/decrease in receivables	(4,652)	(29,605)
— (Increase)/decrease in tax assets	1,784	-
— Decrease/(Increase) in other assets	3,805	1,003
— Increase in payables	18,584	53,382
Net cash used in operating activities	(353,426)	(475,200)

NOTE 20: RELATED PARTY TRANSACTIONS	Note		
Transactions with related parties:			
The parent company, Financial and Energy Exchange Limited has provided interest free loans to the company on a non recourse basis	14	(6,130,812)	(5,781,506)

NOTE 21: ECONOMIC DEPENDENCY

Mercari Pty Limited depends on its ultimate parent company, Financial & Energy Exchange Limited for significant financial support.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans from parent.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2018 $	2017 $
Financial Assets			
Cash assets	9	281,964	286,084
Trade and other receivables	10	34,390	29,738
		316,354	315,822
Financial Liabilities			
Trade and other payables	13	116,972	98,388
Financial liabilities	14	6,130,812	5,781,506
		6,247,784	5,879,894

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The group's overall risk management strategy seeks to ensure that the group meets its financial targets, while minimising potential adverse effects of cash flow shortfalls. The risks faced by the Group are

i. *Treasury Risk Management*

Directors and the senior executive meet on a regular basis to consider the extent of interest rate exposure and where necessary evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. *Financial Risks*

The main risk the group is exposed to through its financial instruments is liquidity risk.

Interest rate risk

The group is exposed to fluctuations in interest rates on interest income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT.)

Financial liability and financial assets maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Financial liabilities due for payment	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and other payables (excluding est. annual leave)	116,972	98,388	-	-	-	-	116,972	98,388
Borrowings	-	-	6,130,812	5,781,506	-	-	6,130,812	5,781,506
Total contractual outflows	116,972	98,388	6,130,812	5,781,506	-	-	6,247,784	5,879,894
Total expected outflows	116,972	98,388	6,130,812	5,781,506	-	-	6,247,784	5,879,894
Financial assets — cash flows realisable								
Cash assets	281,964	286,084	-	-	-	-	281,964	286,084
Receivables	34,390	29,738	-	-	-	-	34,390	29,738
Total anticipated inflows	316,354	315,822	-	-	-	-	316,354	315,822
Net (outflow)/inflow on financial instruments	199,382	217,434	(6,130,812)	(5,781,506)	-	-	(5,931,430)	(5,564,072)

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are equal to their carrying value in the statement of financial position.

The fair values have been determined based on the following methodologies:

Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided in relation to annual leave which is not considered a financial instrument.

Sensitivity analysis

The Board of Directors considers that there are no material market risks requiring sensitivity analysis to be performed.

NOTE 23: COMPANY DETAILS

The registered office of the company is:

Level 1

7 Bridge Street

Sydney, NSW, Australia, 2000

The principal place of business is:

Level 1

7 Bridge Street

Sydney, NSW, Australia, 2000

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Mercari Pty Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 18 in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Mr Brian Price

Dated this 28th day of September 2018

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INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF MERCARI PTY LIMITED

Opinion

We have audited the financial report of Mercari Pty Limited, (the Company) including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

the accompanying financial report of Mercari Pty Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the Group's consolidated financial position as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Relating to Going Concern

We draw attention to Note 2 in the financial report which states that At balance date Mercari Pty Limited has an excess of liabilities over assets of $6,000,949, which includes a liability of $6,130,812 owed to the ultimate parent entity. In these circumstances Mercari Pty Limited is dependent on the ongoing support of the ultimate parent entity to remain a going concern. Should this support cease it may affect the company's ability to remain a going concern.

No adjustments have been made to the financial report relating to the recoverability or classification of the recorded asset amounts and classification of liabilities that maybe necessary should the Group not continue as a going concern.

Directors' Responsibilities

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or,

if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Robert Nielson.

LNP Audit and Assurance

Robert Nielson

Director

Sydney

Date 28 September 2018

ANNEXURE E

ANNUAL REGULATORY REPORT
MERCARI PTY LIMITED, 2017-2018

ANNUAL REGULATORY REPORT

On behalf of

Mercari Pty Limited

Under
Section 792F of Corporations Act

Financial year
1st July 2017 – 30th June 2018

1. INTRODUCTION 4
1.1 Scope of Report 4
1.2 Clarification of Supervisory Obligations under Corporations Act 4
1.2.1 Market Operator 4
1.2.2 Related Regulatory Guidance 7
2. EXECUTIVE SUMMARY 8
2.1 Other Matters 9
3. ENSURING THE MARKET IS FAIR, ORDERLY AND TRANSPARENT 11
3.1 Introduction 11
3.2 Distribution and Market Access 11
3.2.1 Dealing System Development 12
3.2.2 Infrastructure Upgrade 13
3.3 Market Management and Monitoring 13
3.3.1 Market Access and Distribution 13
3.3.2 Market Support 13
3.3.3 System Integrity and Availability 13
3.4 Market Surveillance 14
3.5 Rules & Regulatory Overview 15
3.6 Launch & Enhancements to Product 15
3.7 Compliance Conclusion 15
4. ARRANGEMENTS FOR MARKET SUPERVISION 16
4.1 Introduction 16
4.2 Arrangements for Handling Conflicts 16
4.3 Arrangements for Monitoring Participant Conduct 18
4.3.1 Compliance and Surveillance Activities 18
4.3.2 Production Supervisor Activities 19
4.3.3 Participant Activities 20
4.4 Arrangements for Enforcing Compliance with Operating Rules 23
4.5 Compliance Conclusion 23
5. RESOURCING PROPER OPERATIONS AND SUPERVISORY ARRANGEMENTS 25
5.1 Introduction 25
5.2 Resource Allocation, Monitoring and Reporting 25
5.3 Compliance Conclusion 26

6. ARRANGEMENTS TO ENSURE NO INVOLVEMENT BY DISQUALIFIED INDIVIDUALS 27
6.1 Introduction 27
6.2 Policy and Procedures 27
6.3 Compliance Conclusion 28
7. NOTIFICATIONS TO AND LIAISON WITH ASIC 29
7.1 Comply with conditions on the licence 29
7.2 Breaches of Obligations 29
7.3 New Class of Financial Services 29
7.4 Disciplinary Action 29
7.5 Significant Contraventions of Rules or Act 30
7.6 Failure to meet participants obligations 30
7.7 Contravention of the Financial Services Licence 30
7.8 Change in Directors and Officers 31
7.9 Voting Power Change 31
7.10 Change made to Operating Rules 32
8. OTHER MARKET LICENSEE OBLIGATIONS 32
8.1 Ensure Annual Report is accompanied by an audit report upon Minister's request 32
9. ASIC CORRESPONDENCE 33
9.1 Requesting Information to Monitor Financial Resources 33
9.2 Notification to ASIC - New products for quotation 33
9.3 Notifications to ASIC 34
APPENDIX A: MARKET REPORTS JULY 2017 – JUNE 2018 34
MARKET REPORTS JULY 2017 – JUNE 2018 (1) 35
MARKET REPORTS JULY 2017 – JUNE 2018 (2) 36
MARKET REPORTS JULY 2017 – JUNE 2018 (3) 37
MARKET REPORTS JULY 2017 – JUNE 2018 (4) 38
MARKET REPORTS JULY 2017 – JUNE 2018 (5) 39
MARKET REPORTS JULY 2017 – JUNE 2018 (6) 40
MARKET REPORTS JULY 2017 – JUNE 2018 (7) 41
MARKET REPORTS JULY 2017 – JUNE 2018 (6) 43
MARKET REPORTS JULY 2017 – JUNE 2018 (7) 44
MARKET REPORTS JULY 2017 – JUNE 2018 (8) 45

1. INTRODUCTION

This Annual Regulatory Report provides information regarding compliance by Mercari Pty Limited, Level 1, 7 Bridge Street, Sydney NSW 2000 with relevant regulatory obligations as a Licensed Market operator during the financial year from 1st July 2017 to 30th June 2018.

1.1 Scope of Report

The period covered by this Annual Regulatory Report is 1st July 2017 to 30th June 2018.

The report also extends to the additional prescribed information detailed within the Corporations Regulations, 2001 section 7.2.06 and Section B Paragraph 9 - Facilitation of ASIC Assessment, as defined in the Arrangement between ASIC and Mercari dated 16th March 2005.

Mercari utilised ASIC provided guidelines in the generation of this report.

1.2 Clarification of Supervisory Obligations under Corporations Act

In conducting its Market Mercari observed the ongoing licensee obligations as specified in the Corporations Act 2001 (the "Act"). These obligations, together with related regulatory guidance, are summarised below.

1.2.1 Market Operator

Under s.792A of the Act, Mercari is obliged to take all reasonable steps to:

- The extent that it is reasonably practicable to do so, to do all things necessary to ensure that the market is a fair, orderly and transparent;
- Comply with the conditions of the Mercari Australian Market Licence ("AML");
- Have adequate arrangements for handling conflicts between the commercial interests and the need to ensure that the market operating in a fair, orderly and transparent manner;
- Have adequate arrangements for monitoring the conduct of Participants in relation to the Market;
- Have adequate arrangements for enforcing compliance with the Mercari Direct Operating Rules;
- Have sufficient resources including human, technical and financial resources to properly operate the Market and provide the required supervisory arrangements;

- Take all reasonable steps to ensure that no disqualified individual becomes, or remains, involved in operation or supervision of the Market; and

- Assist ASIC as required, including providing reasonable access to Mercari facilities.

Under s.792B of the Act, Mercari is obliged to take all reasonable steps to:

- Provide written notification to ASIC, as soon as practicable, if it becomes aware that it may no longer be able to meet, or has breached, an obligation under Section 792A. If ASIC considers it appropriate to do so, ASIC may give the Minister advice about the matter;

- Give written notice to ASIC, as soon as practicable, if the licensee provides a new class of financial service incidental to the operation of the market, the licensee must give notice that includes details of the new class.

- If the licensee takes any kind of disciplinary action against a Participant in the market, the licensee must give notice that includes:

  - The Participants name; and
  - The reasons for and nature of the action taken.

- If the licensee has reason to suspect that a person has committed, is committing, or is about to commit a significant contravention of the market's Operating Rules or the Corporations Act, the licensee must give notice that includes:

  - The person's name; and
  - Details of the contravention or impending contravention; and
  - The licensee's reason for the belief.

- If a licensee becomes aware of a matter that it considers has adversely affected, is adversely affecting, or may adversely affect the ability of a Participant in the market, who is a financial services licensee, to meet the Participant's obligations as a financial services licensee, the licensee must give a written report to ASIC on the matter and send a copy of it to the Participant.

- If a licensee becomes aware of a matter, concerning a participant in the market who is a financial services licensee that constitutes or may constitute a contravention of:

  a) A condition of an Australian Financial Services Licence; or
  b) Subdivision A or B of Division 2 of Part 7.8 of the Act; or
  c) Division 3 of Part 7.8 of the Act; or
  d) Subdivision B of Division 6 of Part 7.8 of the Act.

  The licensee must give a written report to ASIC on the matter and send a copy of it to the Participant.

- Give written notice to ASIC as soon as practicable after a person becomes or ceases to become a director, secretary or executive officer of a Market licensee or of a holding company of a Market licensee.

- As soon as practicable after a change is made to the operating rules of a licensed market, lodge with ASIC written notice of the change. The notice must:

    a) Set out the text of the change; and
    b) Specify the date on which the change was made; and
    c) Contain an explanation of the purpose of the change.

In addition, s.792F of the Act, a licensee is obligated to provide an Annual Report detailing the extent to which the licensee has fulfilled and complied with its obligations under Chapter 7 of the Act, together with any prescribed information as contained in related Regulations.

Corporations Regulation 7.2.06 requires the following information to be contained within or otherwise accompany the Annual Report:

- A description of the activities undertaken by the market licensee during the financial year;

- The resources (including financial, technological and Human resources) that the market licensee had available and utilised in order to ensure that it has complied with its obligations under Chapter 7.

- An analysis of the extent to which the licensee considers that the activities undertaken and resources utilised has resulted in full compliance with all of its obligations under Chapter 7 of the Act.

Section B Paragraph 9 of the agreement between ASIC and Mercari requires the following information also be contained within the Annual Report:

- System outages in respect of the market operated by Mercari under its AML (number, duration, cause and resolution).

- The name and number of Participants authorised to access the market operated by Mercari under its AML at the beginning and end of the financial year respectively;

- Details concerning the value and volume of trading in each financial product traded on the market for the financial year;

- The number and nature of complaints made to Mercari by Participants in the market operated by Mercari under its AML;

- Methods of trade monitoring and instances that required further investigation and their outcomes;

- Any specific regulatory issues that developed throughout the year and actions taken to resolve these issues; and

- Details of any significant conflicts of interest, which may have arisen in relation to the market, operated by Mercari under its AML and how these were resolved.

This additional prescribed information is contained within the body of this report and in Appendix A at the end of the report.

1.2.2 Related Regulatory Guidance

ASIC's Policy Statement 172 - *Australian Market Licences: Australian Operators* outlines ASIC's approach to and guidance on the obligations of Australian market licensees. It provides guidance on the expected content of the Annual Report which focuses on analysis of the extent to which the licensee has performed its obligations, the overall adequacy of its performance and arrangements and, where appropriate, proposals to address any weaknesses or issues arising from or relating to that performance.

2. EXECUTIVE SUMMARY

During the reporting period, Mercari Pty Ltd complied with its market operator licence obligations under Chapter 7 of the Corporations Act.

At the end of June 2017 Mercari Market had 40 financial products and 3 non-financial products available for trading.

- No complaints were received about the workings of Mercari Direct Application or Mercari ECN infrastructure.
- No complaints were received about the conduct of any Mercari Staff.
- Changes were made to Mercari's Written Procedures adding new Commodity Products NSW Track Wheat & VIC Track Wheat. New Products added to the Market 4th September 2017.

In relation to ensuring the fair, orderly and transparent operation of the market, Mercari is pleased to inform you that;

- It has continued to review and/or enhance the trading functionality, Compliance Manual, Operating Rules and processes for market administration to maintain relevance and integrity in the market.
- The system did not suffer any fatal errors or problems. The only system outage resulted from a hard disk failure. All hardware was upgraded and replaced causing no further issues.
- No complaints were received from Participants about the conduct of other Participants.

From a market supervision and enforcement perspective, market activity during the reporting period produced no issues to report.

- Participants are continuously monitored for compliance with the Mercari Market Operating Rules and the Act, and to ensure that Participants are able to comply with their requirements and obligations.
- Mercari Production supervision, Surveillance and Compliance functions continue to maintain and adhere to formal policies and procedures.

In relation to provision of adequate human, technical and financial resources throughout the reporting period, this is demonstrated by;

- Mercari continues to require the highest standards of personal integrity and professional practice from its personnel in the execution of their roles;

- Continued employment of functionally independent Surveillance and Compliance Officer.

- A continued high level of engagement with ASIC in responding to queries and information requests, as demonstrated by the monthly financial reporting process by Mercari.

2.1 Other Matters

During the reporting period, Mercari undertook business-related activities which do not fall under the conditions of Mercari's License.

Ongoing testing and development was performed on the Mercari test environments for new commodity derivatives that were launched during the reporting period. Those Commodity Products being NSW Track Wheat Futures & Options and VIC Track Wheat Futures. New functionality implementation to handle the delivery obligation notification for Wheat.

Additional testing and development for new products for future market access. Minor bug fixes were also tested and implemented into the Production Environment.

Mercari continued to investigate opportunities to enhance both the commercial and the market positioning of Mercari.

A team of representatives from ASIC attended the FEX Offices for a system demonstration of the Mercari Market Trading Platform. This was done for the purpose for ASIC to gain further knowledge about the trading system and also for ASIC's internal training purposes.

Mercari became a member of the Australian Grain Traders Association (GTA) on the 29th August 2017.

Additionally functionally was added to the system due to industry demand. Request to have a Spread Functionality for Riemann Wool (19 vs 21 micron). . Spreads were released into Production on 19th March 2018 based on pre-existing system functionality.

3. ENSURING THE MARKET IS FAIR, ORDERLY AND TRANSPARENT

3.1 Introduction

Section 792A(a) of the Corporations Act, requires a market licensee to have adequate arrangement to ensure that the market is fair, orderly and transparent.

During the year ended 30th June 2017 Mercari's technology platforms and infrastructure provided a robust and reliable platform.

Mercari have developed and continue to maintain a workable and flexible regulatory framework. The Operating Rules of Mercari are structured to enable Mercari to take appropriate measure to ensure Participants operate fairly and in an orderly manner. These Rules provide transparency of process and ensure equality of treatment of Participants. The Rules also enable Mercari to monitor and supervise Participants' activity in the facility. The Operating Rules enable Mercari to discipline Participants for failure to adhere to the rules or procedures.

Mercari trading activity during the reporting period was 713 contracts. A table of the Mercari products are provided for information in Appendix A of this report.

Mercari continues to look at enhancing and developing the Mercari Direct Application to further improve the system processes and will make any changes necessary.

3.2 Distribution and Market Access

As at the end of the 2017/2018 financial year, the Mercari Direct Application was deployed to a total of 76 Participants for trading of the financial products. During the reporting period 1st July 2017 – 30th June 2018, there were a number of new Participants sign up to Mercari. Table 4(b) lists all of the Participants, their names and dates the Participant Agreements were completed.

Additionally during the financial year of 1st July 2017 – 30th June 2018 Mercari's financial market products traded a total of 713 deals. Included for information at Appendix A of this report is a table with Mercari products, a year on year comparison & list of cancelled trades.

3.2.1 Dealing System Development

During this financial year there were 3 new agriculture products made available on the Mercari Direct System.

During the current reporting period Mercari Market continued to have financial products and non-financial products available for trading. The details of these products are presented in Table 3(a).

Table 3 (a) Financial & non-financial products listed for trading during the financial year

SCREEN	PRODUCT	PRODUCT TYPE
BAB SCREEN	Bank Bills	Non-financial
ENVIRONMENT SCREEN	LGC	Non-financial
	STC	Non-financial
	ESC	Non-financial
IRS (LONG) SCREEN	EFP – AUD IRS	Financial
	IRS Yield Switches	Financial
	Bills Libor	Financial
	Bills Libor Switches	Financial
SHORT SWAPS SCREEN	Floating/Floating	Financial
	OIS	Financial
	Short Swaps	Financial
	Short Swaps vs OIS	Financial
FRA SCREEN	AUD FRA	Financial
FX SWAPS SCREEN	AUD FX Swaps	Financial
IRON ORE SCREEN	Iron Ore Swaps	Financial
WHEAT SCREEN	AUD Wheat Swaps	Financial
LIVESTOCK	Trade Lamb NTLI	Financial
	Cattle EYCI	Financial
RIEMANN WOOL	Wool Forward	Financial
RIEMANN WOOL OPTIONS RFQ	Wool Forward Options	Financial
US BEEF	Beef OTC	Financial
RIEMANN Wheat OTC FORWARDS	NSW Track Wheat	Financial
RIEMANN Wheat OTC OPTIONS	NSW Track Wheat Options	Financial
RIEMANN Wheat OTC FORWARDS	VIC Track Wheat Options	Financial

Table 3 (a) lists the financial products listed for trading during the financial year highlighting the Product Screens and the Products listed for trading available from those screens.

Prior to commencing live trading of any Product Screen changes on Mercari, simulated trading is performed for all the Mercari Direct Products. This enables Mercari Administrators to perform a final training, understanding and explain overall functionality to the Participants. Mercari has continued to perform simulated trading of commodity, and environmental derivatives to ensure that, as any additional products are launched, these products will operate in a reliable and predictable manner.

3.2.2 Infrastructure Upgrade

One of the major components of Mercari operating a fair, orderly and transparent market is a robust technological infrastructure to operate and support the market. Mercari has demonstrated it has a strong technical leadership in the use of technology to automate trading and in the monitoring and supervision of the market. During the period covered by this report Mercari implemented a new, more resilient, hardware configuration using all new hardware.

3.3 Market Management and Monitoring

Mercari performs and adheres to specific operational functions that categorises the various market management and monitoring activities and assists reporting of compliance with fair, orderly and transparent market principles and the Mercari's Operating Rules.

3.3.1 Market Access and Distribution

During the financial year of 1st July 2017 – 30th June 2018 Mercari's financial Market products traded a total of 713 deals.

3.3.2 Market Support

As part of its ongoing market support, Mercari provides hands-on practical training and ongoing advice and assistance to market Participants in the use of its Mercari Direct Application.

Mercari continued the training of additional FEX operations staff in the operational processes of the system to increase the number of people able to support the market on a daily basis.

3.3.3 System Integrity and Availability

During the financial year there was only one occasion Mercari experienced unscheduled downtime.

This was due to a hardware failure, 3 of the 8 disks in the RAID configured Disk Array stopped working causing a failure. The System was unavailable for a period of 3 hours.

The following incident report was logged at the time:

4th December 2017

Market Operations could not logon. Investigation by IT found that multiple hard disk drive failures had occurred on Sunday night. 3 of the 8 disks had failed. This was enough to make the system unavailable as the disks are arranged in a RAID 10 configuration. Most likely a single disk failed and as the RAID software reconfigured itself to run on 7 disks this caused other disks to fail.

The Standby Server was booted and any out of date software was updated.
Friday night's database backup was restored to the standby server.
Firewall rules were changed to direct traffic to the standby server.
The Trading Engine (TE) started in 'safe mode' shortly before 11am. That is, all markets were closed and no matching can occur until the TE is resumed. This ensures that any market that automatically opens straight after a recovery event does not have any trades before all order owners have had a chance to update their orders. Market Operations opened all markets that did not have any active orders and contacted all order owners for markets that did. Advising participants that the markets would open at 11:20am.

Finalising investigation to confirm that the Hard Disk Failure was purely an untimely hardware issue and that no other issues exist.
Getting replacement drives for the Primary Server
Designing a more resilient multi server setup given the growth in the Ag markets.
If any solution relies on Standby boxes moving forward then these boxes will be kept updated with software release to speed up their implementation if and when required.

(End of Report)

As noted in the "Infrastructure Upgrade" section above; new hardware was purchased, tested and implemented and replaced the Servers in the Production Environment in a more resilient configuration.

3.4 Market Surveillance

Mercari utilises various processes and procedures to facilitate its Market surveillance activities which assist in ensuring a fair, orderly and transparent Market is provided.

In addition to the real-time monitoring of trading activity undertaken by Mercari market administrator/product supervisors, additional post-trade market surveillance activities are undertaken by the compliance and surveillance personnel.

3.5 Rules & Regulatory Overview

Mercari is maintaining a comprehensive set of Operating Rules which govern the operation of the Market and its Participants. Changes to the Operating Rules are subject to a non-disallowance regime by the Minister in accordance with the Corporations Act.

No changes were made to the Operating Rules during the reporting period.

3.6 Launch & Enhancements to Product

There were 3 new products launched on the Mercari Direct Application during the reporting period those being new Agriculture Products, Riemann NSW Track Wheat and NSW Track Wheat Options launch date 4th September 2017, and the Riemann VIC Track Wheat launch date 29th September 2017.

At the end of June 2018 Mercari Market had 40 financial products and 3 non-financial products available for trading.

As Mercari has expanded the number of products that it may quote to include commodity, energy and environmental derivatives, notification was given to ASIC to change procedures in order to add new products for quotation. Approval from ASIC for the new products was given to Mercari stating there were no issues and to proceed with adding the new products listed. Approval for Track Wheat 27th July 2017.

Additional functionally was enabled on the system for the Riemann Wool Products due to industry demand. A Spread Functionality for Riemann Wool (19 vs 21 Micron).

3.7 Compliance Conclusion

Mercari continues to operate and maintain its Markets in a fair, orderly and transparent manner throughout the financial year of 1st July 2017 – 30th June 2018 by maintaining a robust, reliable and compliant infrastructure together with monitoring and management arrangements.

4. ARRANGEMENTS FOR MARKET SUPERVISION

4.1 Introduction

Under Section 792A(c) of the Corporations Act, Mercari have specific obligations to ensure they maintain:

- Adequate arrangements for supervising the Market, including arrangements for;
  - Handling conflicts between the commercial interests of the licensee and the need for the licensee to ensure that:
    - The market operates in a fair, orderly and transparent manner; and
    - The facility operates in a fair, orderly and transparent manner
  - Have adequate arrangements for enforcing compliance with the Market's Operating Rules.

The supervision of the Market provided by Mercari is performed by the Product Supervision and the Surveillance and Compliance departments. Both these departments maintain formal policies and procedures to guide activity and facilitate assessment of efficiency and effectiveness.

The activities of each department are provided in detail in Section 4.3 of this report.

The Operating Rules are continuously monitored for compliance with the Corporations Act to ensure that changes to the law are reflected and to ensure that Participants are able to comply with their requirements. The processes for conflict handling and enforcing compliance with the Operating Rules are described in Section 4.2 and Section 4.4 of this report.

The Operating Rules contain provisions for preventing conflicts and enforcing compliance with the rules. These rules complement relevant Law, are approved under legislation and apply to all Participants. They cover all aspects of trading, including monitoring market conduct, disciplining of Participants and suspension or termination of Participation rights and market access.

4.2 Arrangements for Handling Conflicts

Sections 792A(c) and 821A(c) of the Financial Services Reform Act require the Market operator have adequate arrangements to handle conflicts.

In relation to all Mercari staff, a number of measures exist to prevent or minimise the impact of Conflicts Of Interest arising as follows:

- The group's core values include honesty, dedication and professionalism;

- All staff are required by their terms of employment not to use information in order to gain a personal benefit;

- All staff are required to always put Mercari's supervisory responsibilities before Mercari's other commercial interests.

- All staff are bound by a requirement of confidentiality (including that in the event of doubt about the status of information it is assumed to be confidential); and

- Corporate and technology procedures and policies are in place to ensure the privacy, security and confidentiality of information.

- Mercari has created a formal professional broking system that has a simple trade pathway offering high functionality, is transparent and compliant. The Mercari Direct trade execution platform creates a transcript of the total trade pathway that reports exactly when, where and how a trade was transacted from start to finish. Utilising Mercari Quick Text technology. These logs are reviewed during the procedures performed by the Surveillance & Compliance resource.

- Mercari Direct displays all order processes "in writing"; time stamped and unedited, minimising disputes and recording the facts real time, making the market fair, orderly and transparent. The related logs are reviewed during the procedures performed daily by the Surveillance & Compliance resource.

- Telephone conversations between Mercari Administrators and Participants are recorded and are available for checking. The related call logs are reviewed during the procedures performed by the Surveillance & Compliance resource.

- The Mercari Direct application has a conversation program Mercari Private allowing the Mercari User and Mercari Administrator to communicate electronically. The related logs are reviewed during the procedures performed by the Surveillance & Compliance resource.

- All deal emulations performed by Mercari Administrators are reviewed during the procedures performed by the Surveillance & Compliance resource for authorisation.

- The electronic mail of the Mercari employee's is reviewed on an ad-hoc basis by the Surveillance & Compliance resource.

Mercari's written policy and procedure detail how conflicts between its supervisory and commercial interests are managed. They include the obligations and priorities of Mercari's employees;

- How a conflict of interest may be identified;
- Procedures to minimise conflicts of interest; and
- How employees may avoid conflicts of interest.

The procedures state that all Mercari employees must report any conflict of interest they identify to the directors of Mercari. The directors then assess the conflict of interest and responds to the staff or Participants involved by either meeting with them or by written communication. In response to a conflict of interest the directors may:

- Rearrange the allocation of Participant representatives to avoid or reduce the conflict of interest;
- Decline to provide services to the particular Participant;
- Initiate internal or external disciplinary action where warranted; or
- Refer to an appropriate and independent body to offer alternative solutions for managing the conflict of interest.

All conflict of interest situations reported or observed and all actions taken to correct conflict of interest situations are recorded in the Compliance (Breach) Register.

During this financial year Mercari's conflict management arrangements have not changed. There were no conflicts of interest situations observed or reported during the financial year 1st July 2017 – 30th June 2018.

4.3 Arrangements for Monitoring Participant Conduct

4.3.1 Compliance and Surveillance Activities

The supervision of the market participants is undertaken by way of a variety of pro-active and re-active tasks in order to optimise use of resources and best facilitate overall market compliance with Mercari's Operating Rules. The pro-active tasks include an educational and advisory role, involving ad hoc and scheduled training, discussion forums and market communications. Re-active tasks include compliance monitoring, review of market activity & any market communication.

The Compliance and Surveillance Department is responsible for monitoring, promoting, educating and assisting in enforcing compliance by participants with the Mercari's Operating Rules, Participant Agreements and relevant Law and these activities focus directly on fulfilling the Mercari's licence obligations.

The Compliance and Surveillance personnel perform a number of supervisory tasks concerning Participants, including:

- The Supervision of the Market, including monitoring the conduct of the Participants on or in relation to the Market
- Enforcing compliance with the Operating Rules
- Liaising with Participants' surveillance/compliance officers when required.
- Reporting all suspected or actual breaches to the directors and recording in Compliance Register.
- Assisting ASIC when requested.

Such supervisory tasks address compliance issues broadly and are largely focused on monitoring and prevention.

During this financial year Participant Conduct Monitoring procedures have remained unchanged.

Complaints

A Market licensee is required to have in place adequate arrangements to deal with complaints about the Market and/or Participants.

The Surveillance and Compliance department may receive complaints directly either by verbal, written correspondence or via referrals from the Administrators of Mercari Direct. Any such matters are initially assessed by the management team as to their validity, substance and impact as part of the process for determining the launch of a formal investigation.

During the financial year there were no complaints received by Mercari.

Investigations

Investigations can be initiated by the following:

- Externally generated complaints from Participants or Market users;
- Regular internal referrals from Production Supervisor;
- As a result of specific reviews of Participants' trading operation by Surveillance and Compliance.

No matters were brought to the attention of the Compliance Department and or Mercari Board during the financial year.

4.3.2 Production Supervisor Activities

Supervision of trading through Mercari Direct is undertaken by the Production Supervisor who as day-to-day responsibility for the operation of the trading system. Participants are required to perform their trading operations within the scope of the Operating Rules and the Mercari Participant Agreement.

Compliance with these rules is to a large extent facilitated or achieved automatically through the operation of the system, which will reject certain trading activity which is or may be in breach of the rules. Consequently, the supervisory aspects of the role of the Production Supervisor are limited. The Production Supervisor does however have certain supervisory power to monitor compliance, to refer potential breaches for investigation and, in certain cases, to amend or cancel trades.

4.3.3 Participant Activities

Authorised staff undertakes procedures related to the admittance and administration of the Participants of Mercari Direct in accordance with the Operating Rules. These procedures include assessment and approval of all applications for Participant status, approval of changes of status and or access levels.

Applicants are required to provide evidence of their ability to satisfy the various admission criteria. These procedures have not required any changes.

At the end of 30th June 2018 Mercari had 76 authorised Participants listed. During this reporting period there were 16 new Participant Agreements approved.

Due to the introduction of the new financial agriculture products NSW Track Wheat, NSW Track Wheat Options and VIC Track Wheat being listed on Mercari a number of new Participants were signed up for authorisation of the Mercari System. All Participants and their users were processed using Mercari's Authorised Participant procedures.

Number of new Participants authorised to access the Mercari Direct from previous financial year to current financial year are provided in Table 4(a) below

Table 4(a)

July 2016 – June 2017	**July 2017– June 2018**	**Number of New Participants**
60	76	16

Details in relation to Participants authorised to access the Mercari Direct are provided in Table 4(b) below.

Table 4(b)

	PARTICIPANT NAME	COMPANY IDENTIFIER	AGREEMENT DATE
1.			7/10/2016
2.			1/08/2016
3.			23/08/2016
4.			25/07/2013 11/07/2016
5.			14/09/2016
6.			6/09/2017
7.			19/10/2017
8.			13/07/2017
9.			04/01/2018
10.			06/09/2017
11.			16/08/2016
12.			12/10/2016
13.			12/08/2016
14.			8/08/2016
15.			9/08/2016
16.			10/08/2016
17.			5/10/2016
18.			4/08/2016
19.			8/09/2016
20.			4/08/2016
21.			18/12/2016
22.			12/08/2016
23.			14/09/2016
24.			26/10/2016
25.			21/10/2016
26.			12/08/2016
27.			04/01/2018
28.			17/08/2016
29.			17/10/2017
30.			23/08/2016
31.			23/08/2016
32.			9/08/2016
33.			20/09/2016
34.			20/09/2016
35.			26/06/2018
36.			8/08/2016
37.			8/08/2016
38.			08/01/2018
39.			21/09/2016
40.			4/08/2016
41.			18/01/2018

42.			29/08/2016
43.			5/08/2016
44.			10/08/2016
45.			5/08/2016
46.			20/08/2017
47.			11/10/2016
48.			18/10/2016
49.			4/08/2016
50.			9/08/2016
51.			9/08/2016
52.			15/08/2016
53.			7/09/2016
54.			11/10/2016
55.			01/09/2017
56.			12/09/2016
57.			8/08/2016
58.			5/08/2016
59.			10/08/2016
60.			14/09/2016
61.			8/07/2016
62.			19/10/2017
63.			14/10/2016
64.			9/08/2016
65.			19/10/2017
66.			31/05/2018
67.			3/03/2017
68.			2/11/2016
69.			5/08/2016
70.			21/08/2017
71.			25/07/2016
72.			14/10/2016
73.			11/08/2016
74.			3/11/2016
75.			24/05/2017
76.			11/08/2016

As at 30th June 2018 end of the financial year Mercari had 76 Participants.

4.4 Arrangements for Enforcing Compliance with Operating Rules

Section 792A(c)(iii) of the Corporations Act, requires a Market licensee to have adequate arrangements for supervising the Market including arrangements for monitoring the conduct of Participants and enforcing compliance with the Operating Rules of the Market.

The Operating Rules contain provisions for preventing conflicts and enforcing compliance with the Operating Rules. These complement relevant Law, are approved under legislation and apply to all Participants. They cover all aspects of trading, including monitoring market conduct, disciplining of Participants and suspension or termination of Participation rights and market access.

Operating Rules include arrangements for a number of important regulatory functions including: handling conflicts, monitoring Participant conduct, enforcing compliance with the Operating Rules, and ensuring there is no involvement by a disqualified individual as a Director or Officer of Mercari.

Operating Rule 2.2 states that all participants of the market must comply with the operating rules of Mercari. Under Operating Rule 3.1, to participate in Mercari Direct, a participant must operate in accordance with the Operating Rules. Operating Rule 3.2.10 gives Mercari the right to suspend or cancel the authorisation of any participant or employee of a participant if they breach an operating rule. Operating Rule 6.4 gives Mercari the right to remove any order from the dealing screen at any time. Clause 5 of Mercari's Participant Agreement gives Mercari the right to remove a participant's order from the dealing screen at any time and for any reason. Compliance with the operating rules is largely facilitated through the operation of Mercari Direct. The system will reject certain trading activity, which is or may be in breach of their Operating Rules.

Mercari Production Supervisors and Surveillance & Compliance Officer are responsible for the supervision of the Market. The tasks of these areas that perform the supervisory functions are discussed in detail above in Section 4.3 of this report. These tasks are undertaken in a variety of ways, including surveillance, education, prevention, assessing and disciplining. Personnel have internal procedures documents to guide their tasks and against which to assess and measure their effectiveness.

There was no breach or potential breach of the Operating Rules. Mercari had adequate arrangements in place for monitoring the conduct of the Participants in relation to enforcing compliance with its Operating Rules.

4.5 Compliance Conclusion

During the financial year Mercari continued to have adequate arrangements in place for enforcing compliance with its Operating Rules and monitoring the conduct of the Participants.

In the Mercari Participant Agreement – Compliance with Standards and Directions it states Mercari and the Participant (Participant) will at all times comply with the Australian Financial Markets Association's "AFMA Code of Ethics and Code of Conduct" and "AFMA OTC Market Conventions" ("Standards") in all dealings in OTC derivative products pursuant to this Agreement, as they apply to such dealings.

Mercari remains committed to ongoing development and improvement in the area of compliance enforcement to ensure it keeps pace with changes in the regulatory environment and the market place.

Additionally Mercari's arrangements for handling conflicts between its commercial interest and supervisory obligations continued to remain effective, relevant and appropriate throughout the financial year.

5. RESOURCING PROPER OPERATIONS AND SUPERVISORY ARRANGEMENTS

5.1 Introduction

Sections 792A(d) of the Corporations Act, a Market operator is to maintain sufficient resources – human, technical and financial – to operate the respective market or facility properly, and to provide the required supervisory arrangements in respect of each environment.

The supervisory activity procedures within Mercari are extremely disparate; the activity can be educative, persuasive, preventative, investigative, prosecutorial or disciplinary.

The processes by which supervisory results are achieved as follows:

- Compliance activity – entailing problem identification; monitoring, enquiry and investigation; and enforcement;
- Supervisory support – entailing education and guidance advice to Market Participants.
- Regulatory framework activities – entailing developing the Rules, legislation and guidance notes; and
- Systems activity – entailing the supervisory dimensions of systems operation and systems development.

5.2 Resource Allocation, Monitoring and Reporting

Section 792A(d) of the Corporations Act requires Market licensee operators to maintain sufficient resources – human, technical and financial – to operate their Market or facility properly, and to provide the required supervisory arrangements in respect of each environment.

Mercari is satisfied that the nature and extent of human, technical and financial resources devoted to operational and supervisory activity is sufficient to effectively meet its obligations as a Market licensee.

Reporting

Mercari undertakes the detailed reporting of the resources which are required for the proper operation and supervision of its Market. Monthly financial reports are produced for the Board of Directors to facilitate the monitoring and assessment of relevant operational and supervisory activities on an ongoing basis throughout the financial year.

A Profitability report is prepared quarterly including the expenditure incurred by the various business functions.

Mercari provides to ASIC half yearly financial reports of Mercari’s projected cash flows, financial performance and financial position.

Additionally, in accordance with the request received from ASIC on the 1st May 2009 the following information is collated and submitted to ASIC monthly.

- Financial position includes balance sheets, profit and lost statement, cash flows, financial performance and bank statements.
- Mercari Direct's Active Users List.
- Mercari Energy & Agricultural Markets

Resource Allocation

Mercari allocates resources across the business functions as required.

Costs taken into consideration include staff related costs, system research and development, software and hardware maintenance and data/communication charges.

Resource Monitoring

Mercari monitors the adequacy of its resources on a quarterly basis through the analysis of the information collated.

Mercari indicates for the current financial year that a minimum of 6 staff were involved to ensure the proper operation of the Market and related supervisory arrangements. Mercari employs staff in various capacities for commercial, supervisory and technological functions.

Mercari forecasts these various resources and related activities (including the technology cost of supporting the activities), as well as software and hardware maintenance, data/communications and any applicable outsourcing charges along with ongoing system testing and enhancements will cost approximately $731 105.49 annually.

5.3 Compliance Conclusion

Mercari is confident that the nature and extent of human, technical and financial resources devoted to operational and supervisory activity across the group is commensurate with those required to effectively discharge obligations.

6. ARRANGEMENTS TO ENSURE NO INVOLVEMENT BY DISQUALIFIED INDIVIDUALS

6.1 Introduction

Sections 792A (i) of the Corporations Act, requires a Market licensee to take all reasonable steps to ensure that no disqualified individual becomes or remains involved in the licensee.

Mercari continues to maintain comprehensive policies and procedures to ensure that no disqualified individual becomes or remains involved with Mercari.

During the financial year there were no disqualified individuals involved with Mercari.

The policies and procedures Mercari has in place to comply with this obligation are detailed below.

6.2 Policy and Procedures

When appointing a director of Mercari;

- The company (Mercari) checks ASIC's (Australian Security & Investments Commission) register database, of banned and disqualified persons.

- The company (Mercari) performs an Australian Federal Police Criminal History Check.

- The person being appointed completes a "Statement of Personal Information".

- ASIC is notified of the appointment in the terms prescribed in Corporations Regulation 7.2.02(2).

On-going monitoring is additionally performed on an annual basis as follows:

- The company (Mercari) checks on ASIC's (Australian Security & Investments Commission) register database, of banned and disqualified persons in respect of each relevant person; and

- Each relevant person is reminded in writing of their undertaking to advise the company (Mercari) of any change to their details which they provided in their initial declaration.

New Participants/Participants to Mercari;

- A Participant Agreement for OTC Derivatives Products is completed and signed by both parties, the Mercari Directors and the Participant. The agreement is processed by a Mercari Compliance Officer.

- The Mercari Compliance Officer checks the ASIC's register database, of banned and disqualified persons. Additionally checking validation and Licence Authorisation Conditions of the participant and ensuring their AFS License is current and the Licence is authorised to "Deal" and "Make a Market" for "Derivative Products".

User Access to Mercari Direct;

- New users to Mercari are subject to an authorisation process performed by the Mercari Administrators and Mercari Compliance Officer prior to gaining access to the Mercari system.

- Users Access & Logon form must be completed with signature of approval from the Participant's Authorising Officer.

- The user Access & Logon form is processed by the Market Operations and reviewed by the Compliance Officer.

- The Mercari Compliance Officer checks ASIC's registered database, of banned and disqualified persons.

- Quarterly and half yearly process review and confirmation of active users access in Mercari Direct.

- Half yearly process review and confirmation of the Participants Authorised Officers who permit access Mercari Direct.

6.3 Compliance Conclusion

Mercari considers that its processes to ensure no disqualified person has involvement with Mercari remain appropriate, and during the financial year, on the basis of the information provided, no disqualified or banned individuals were involved with Mercari.

7. NOTIFICATIONS TO AND LIAISON WITH ASIC

7.1 Comply with conditions on the licence

Under s.792A (b) of the Corporations Act, requires a Market licensee must comply with the conditions on its licence.

During the financial year there have been no changes to Mercari's licence conditions and Mercari continues to comply with the respective license conditions.

For detailed information relating to compliance see Section 3.7, Section 4.3.1, and Section 4.3.3, Section 7.1 & Appendix A.

7.2 Breaches of Obligations

Under s.792B (1) of the Corporations Act, a Market licensee is obliged to notify ASIC if it becomes aware that it may no longer be able to meet, or has breached, an obligation under s.792A. If ASIC considers it appropriate to do so, ASIC may give the Minister advice about the matter.

During the financial year there have been no changes to Mercari's licence conditions. There were no breaches of obligations reported. Mercari continues to comply with the respective licence conditions. For detailed information relating to compliance see Section 3.7, Section 4.3.1, and Section 4.3.3, Section 7.1 & Appendix A.

7.3 New Class of Financial Services

Under s.792B (2)(a) of the Corporations Act, a Market licensee is obliged to notify ASIC as soon as practicable, if the licensee provides a new class of financial service incidental to the operation of the market, the licensee must give notice that includes details of the new class.

During the financial year, no notifications under s.792B (2)(a) of the Corporations Act were made to ASIC as Mercari had not introduced any new class of financial service incidental to the operation of the market.

7.4 Disciplinary Action

Under s.792B (2)(b) of the Corporations Act, a Market licensee must give notice to ASIC if disciplinary action against a Participant in the Market is taken. The licensee must give notice that includes:

- The person's; and
- The reason for and nature of the action taken.

During the financial year, no notifications under s.792B (2)(b) of the Corporations Act were made to ASIC as Mercari has not taken any disciplinary action against participants.

7.5 Significant Contraventions of Rules or Act

Under s.792B(2)(c) of the Corporations Act, a Market licensee must give notice to ASIC if the licensee has reason to suspect that a person has committed, is committing or is about to commit a significant contravention of the Market's or facility's Operating Rules or the Act, the licensee must give notice that includes:

- The person's name; and
- Details of the contravention or impending contravention; and
- The licensee's reason for the belief.

During the financial year, no notifications under s.792B (2)(c) of the Corporations Act were made to ASIC as there was no occasion to report. Mercari has no reason to suspect that in the last year a person has committed, is committing, or is about to commit a significant contravention of the Market's Operating Rules or the Act.

7.6 Failure to meet participants obligations

Under s.792B(3)(a) of the Corporations Act, if a licensee becomes aware of a matter that it considers has adversely affected, is adversely affecting, or may adversely affect the ability of a participant in the market, who is a financial services licensee, to meet the participant's obligations as a financial services licensee, the licensee must give a written report to ASIC on the matter and send a copy of it to the participant.

During the financial year, no notifications under s.792B (3)(a) of the Corporations Act were made to ASIC.

7.7 Contravention of the Financial Services Licence

Under s.792B(3)(b) of the Corporations Act, if a licensee becomes aware of a matter, concerning a participant in the market who is a financial services licensee that constitutes or may constitute a contravention of:

e) A condition of an Australian Financial Services Licence; or
f) Subdivision A or B of Division 2 of Part 7.8 of the Act; or
g) Division 3 of Part 7.8 of the Act; or
h) Subdivision B of Division 6 of Part 7.8 of the Act.

The licensee must give a written report to ASIC on the matter and send a copy of it to the participant.

During the financial year, no notifications under s.792B (3)(b) of the Corporations Act were made to ASIC as there was no occasion to report. Mercari has not become aware of a matter, concerning a participant in the market who is a financial services licensee that constitutes or may constitute a contravention of:

i) A condition of an Australian Financial Services Licence; or
j) Subdivision A or B of Division 2 of Part 7.8 of the Act; or
k) Division 3 of Part 7.8 of the Act; or
l) Subdivision B of Division 6 of Part 7.8 of the Act.

7.8 Change in Directors and Officers

Under s.792B(5)(a) of the Corporations Act, a Market licensee must notify ASIC after a person becomes or ceases to become a director, secretary or executive officer of a Market licensee or of a holding company of a Market licensee., (including when a person changes from one of those positions to another); The notice must include such other information about the matter as is prescribed by regulations made for the purposes of this subsection.

During the financial year, Mercari has not given ASIC notification under s.792B (5)(a) of the Corporations Act, of any person(s) that has become or ceased to become a director of Mercari to ASIC.

7.9 Voting Power Change

Under s.792B(5)(b) of the Corporations Act, a Market licensee give written notice to ASIC as soon as practicable after a licensee becomes aware that a person has come to have, or has ceased to have, more than 15% of the voting power in the licensee or in a holding company of the licensee. The notice must include such other information about the matter as is prescribed by regulation made for the purposes of this subsection.

During the financial year, Mercari has not given ASIC notification under s792B (5)(a) of the Corporations Act, becomes aware that a person has come to have, or has ceased to have, more than 15% of the voting power in the licensee or in a holding company of the licensee.

7.10 Change made to Operating Rules

Under s.793D(1)&(3) of the Corporations Act, a Market licensee must notify ASIC as soon as practicable after a change is made to the operating rules of a licensed market, lodge with ASIC written notice of the change.

The notice must:

d) Set out the text of the change; and
e) Specify the date on which the change was made; and
f) Contain an explanation of the purpose of the change.

During the financial year, no notifications under s.792B (3)(B) of the Corporations Act were made to ASIC as there was no occasion to report.

8. OTHER MARKET LICENSEE OBLIGATIONS

8.1 Ensure Annual Report is accompanied by an audit report upon Minister's request

Under s.792F[3] & [4] of the Corporations Act, in respect of a Market operator, a licensee ensure, if formally requested by the Minister, that its Annual Report is accompanied by an independent Audit Report.

Mercari has received no request from the Minister to accompany this Annual Regulatory Report with an independent Audit Report.

9. ASIC CORRESPONDENCE

9.1 Requesting Information to Monitor Financial Resources

Mercari received a notice from ASIC on 1st May 2009, "Monitoring Financial Resources" as part of the obligations of a market licensee is that the market licensee have sufficient financial resources on an ongoing basis.

Mercari continues, to supply ASIC with the financial reports that are listed below.

Under Section 792D of the Corporations Act 2001, Mercari provides the following information to ASIC;

- Monthly Reports on;
  - Mercari's financial position including balance sheets, profit & loss statement, cash flow & Mercari's bank statement.
  - All books relating to financial support being provided to Mercari,
  - A list of the active Participants & the volumes and the types of financial products that have traded.
  - These monthly reports are provided to ASIC within 7 days after the month end.

During the reporting period all of the above mentioned reports were lodged with ASIC as requested.

9.2 Notification to ASIC - New products for quotation.

27th June 2017
Correspondence from Mercari to ASIC, re: "Mercari Pty Ltd - New Products Notification".

Notification of new products for quotation to be listed NSW Track Wheat Futures & Options contracts and VIC Track Wheat on Riemann. As Mercari Direct Operating Rule 1.4.3 states that the commodity products offered on Mercari Direct are those set out in the product section of Mercari's written procedures which are not objected to by ASIC within 14 days of ASIC receiving written notification of the contracts. It is with reference to this Rule that we are sending this notification. Accompanying this was an Upload of the amended written procedures.

25th July 2017
Correspondence from ASIC to Mercari, re: "Mercari Pty Ltd - New Products Notification".

ASIC requested marketing materials for the proposed contracts and additionally provided confirmation on when the products will be listed for trading.

Mercari forwarded the above requested marketing material for the proposed contracts to ASIC on 21st July 2017.

25th July 2017
Correspondence from ASIC to Mercari, re: "Mercari Pty Ltd - New Products Notification".

ASIC required confirmation on expiry of the new products that are to be listed.

Mercari provided to ASIC confirmation on expiries and provided updated brochure with amendments to the delivery

27th July 2017.
Correspondence from ASIC to Mercari, re: "Mercari Pty Ltd - New Products Notification".

ASIC confirmed received all required information regarding the proposed wheat OTC forwards and options. No further comments or questions.

9.3 Notifications to ASIC

4th December 2017.
Correspondence from Mercari to ASIC, re: "Mercari Exchange – Notification of Outage".

Notification verbal and written correspondence was given to ASIC regarding the Mercari Trading System hard disk failed. A stand-by server was implemented into the Production environment; all participants were notified when system was off line and notified again when system was back online. The system was unavailable during this time.

Ongoing Mercari IT Department will review the issue and the go forward approach to resolving and replacing the hardware.

APPENDIX A: MARKET REPORTS JULY 2017 – JUNE 2018

MARKET REPORTS JULY 2017 – JUNE 2018 (1)

Yearly Total All Products

1 July 2017 – 30 June 2018

PRODUCT		1 July 2017 – 30 June 2018
Bank Bills Total		0
Bills/Libor Total		0
EFP Total		0
Floating/Floating Total		0
FRA Total		0
OIS Total		0
Outright Total		0
Short Swaps Total		0
FX Fwds Total		0
Iron Ore Swaps		0
Wheat Cleared CME		0
Wool		706
Livestock - Lamb		0
Livestock - Cattle		0
US Beef		0
NSW Track Wheat		6
VIC Track Wheat		1
Grand Total of all Products		**713**

MARKET REPORTS JULY 2017 – JUNE 2018 (2)

Year to Year Comparisons

1 July 2016 – 30 June 2017 & 1 July 2017 – 30 June 2018

PRODUCT	TENOR	1 July 16 – 30 June 17	1 July 17 - 30 June 18
Bank Bills	Early July 2017	0	0
	Early Aug 2017	0	0
	Early Sep 2017	0	0
	Early Oct 2017	0	0
	Early Nov 2017	0	0
	Early Dec 2017	0	0
	Early Jan 2018	0	0
	Late July 2017	0	0
	Late Aug 2017	0	0
	Late Sep 2017	0	0
	Late Oct 2017	0	0
	Late Nov 2017	0	0
	Late Dec 2017	0	0
	Late Jan 2018	0	0
Bank Bills Total		**0**	**0**
Bills/Libor		0	0
Bills/Libor Total		**0**	**0**
EFP	1 Year Q/Q	0	0
	2 Year Q/Q	0	0
	3 Year Q/Q	0	0
	4 Year S/S	0	0
	5 Year S/S	0	0
	6 Year SS	0	0
	7 Year S/S	0	0
	9 Year S/S	0	0
	10 Year S/S	0	0
	12 Year S/S	0	0
	15 Year S/S	0	0
EFP Total		**0**	**0**
Floating/Floating	1 Mth	0	0
	3 Mth	0	0
Floating/Floating Total		**0**	**0**
FRA	1 Mth BBSW	0	0
	3 Mth BBSW	0	0
	6 Mth BBSW	0	0
FRA Total		**0**	**0**

MARKET REPORTS JULY 2017 – JUNE 2018 (3)

Year to Year Comparisons

1 July 2016 – 30 June 2017 & 1 July 2017 – 30 June 2018

PRODUCT	TENOR	1 July 16 – 30 June 17	1 July 17 - 30 June 18
OIS	1 Month	0	0
	2 Month	0	0
	3 Month	0	0
	4 Month	0	0
	5 Month	0	0
	6 Month	0	0
	7 Month	0	0
	8 Month	0	0
	9 Month	0	0
	10 Month	0	0
	11 Month	0	0
	12 Month	0	0
OIS Total		**0**	**0**
Outright	1 Year Q/Q	0	0
	2 Year Q/Q	0	0
	3 Year Q/Q	0	0
	4 Year Q/Q	0	0
	5 Year S/S	0	0
	7 Year S/S	0	0
	10 Year S/S	0	0
Outright Total		**0**	**0**
Short Swaps	2x1	0	0
	3x1	0	0
	4x1	0	0
	5x1	0	0
	6x1	0	0
	7x1	0	0
	8x1	0	0
	9x1	0	0
	10x1	0	0
	11x1	0	0
	12x1	0	0
	15x1	0	0
Short Swaps Total		**0**	**0**

MARKET REPORTS JULY 2017 – JUNE 2018 (4)

Year to Year Comparisons

1 July 2016 – 30 June 2017 & 1 July 2017 – 30 June 2018

PRODUCT	TENOR	1 July 16 – 30 June 17	1 July 17 - 30 June 18
FX Fwds	1 week	0	0
	2 week	0	0
	3 week	0	0
	1 Month	0	0
	2 Month	0	0
	3 Month	0	0
	4 Month	0	0
	5 Month	0	0
	6 Month	0	0
	7 Month	0	0
	8 Month	0	0
	9 Month	0	0
	10 Month	0	0
	11 Month	0	0
	1 Year	0	0
	O/N	0	0
	T/N	0	0
FX Fwds Total		**0**	**0**
Wheat Cleared CME	AUD Soft Wheat Swap	0	0
	AUD Hard Wheat Swap	0	0
Wheat Cleared CME Total		**0**	**0**
IRON ORE Swaps	TSI: CFR China 62%	0	0
	TSI: CFR China 58%	0	0
	Platts: CFR China 62%	0	0
	Platts: CFR China 63.5%	0	0
IRON ORE Swaps Total		**0**	**0**
Cattle EYCI	10 Nov 17	0	2
	24 Nov 17	0	2
	08 Dec 17	0	2
	22 Dec 17	0	2
	25 Jan 18	0	1
	9 Feb 18	0	1
	23 Feb 18	0	1
Livestock Cattle Total		**0**	**11**
Lamb NTLI	22 Dec 17	0	0
	25 Jan 18	0	0
Livestock Lamb Total		**0**	**0**

MARKET REPORTS JULY 2017 – JUNE 2018 (5)

Year to Year Comparisons

1 July 2016 – 30 June 2017 & 1 July 2017 – 30 June 2018

PRODUCT	TENOR	1 July 16 – 30 June 17	1 July 17 - 30 June 18
Wool	18 Micron	9	45
	18.5 Micron	203	35
	19 Micron	9	223
	19.5 Micron	288	6
	20 Micron	4	**0**
	20.5 Micron	10	0
	21 Micron	1	354
	22 Micron	0	4
	23 Micron	0	2
	28 Micron	0	10
Wool Futures Total		**524**	**679**
Wool Options	18.0 Micron	0	9
	19 Micron	9	10
	19.5 Micron	27	0
	21 Micron	11	8
	22 Micron	0	**0**
	28 Micron	0	0
	30 Micron	0	0
Wool Futures Total		**47**	**27**
Beef Imported 90 CL Monthly	Oct 17	0	0
	Nov 17	0	0
	Dec 18	0	0
	Jan 18	0	0
	Feb 18	0	0
US Beef Cut Out Monthly	Oct 17	0	0
	Nov 17	0	0
	Dec 18	0	0
	Jan 18	0	0
	Feb 18	0	0
US BEEF Total		**0**	**0**

MARKET REPORTS JULY 2017 – JUNE 2018 (6)

Year to Year Comparisons

1 July 2016 – 30 June 2017 & 1 July 2017 – 30 June 2018

PRODUCT	TENOR	1 July 16 – 30 June 17	1 July 17 - 30 June 18
NSW Track Wheat	18 Jan	0	4
	Jan 18	0	2
NSW Track Wheat Total		**0**	**6**
NSW Track Wheat Options	18 Jan	0	0
	Jan 18	0	0
NSW Track Wheat Options Total		**0**	**0**
VIC Track Wheat	Mar 18	0	1
VIC Track Wheat Total		**0**	**1**

MARKET REPORTS JULY 2017 – JUNE 2018 (7)

Face Value by Product Monthly Totals

1 July 2017 – 31 December 2017

PRODUCT	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17
Bank Bills	0	0	0	0	0	0
Bills Libor	0	0	0	0	0	0
EFP	0	0	0	0	0	0
Floating/Floating	0	0	0	0	0	0
FRA	0	0	0	0	0	0
OIS	0	0	0	0	0	0
Outright	0	0	0	0	0	0
Short Swaps	0	0	0	0	0	0
FX Fwds	0	0	0	0	0	0
Iron Ore Swaps	0	0	0	0	0	0
Wheat Cleared CME	0	0	0	0	0	0
Livestock Lamb	0	0	0	0	0	0
Livestock Cattle	0	0	0	0	0	0
Wool	14	99	21	52	89	68
Wool Options	0	4	0	0	9	6
US Beef	0	0	0	0	0	0
NSW Track Wheat	0	0	4	0	0	2
NSW Track Wheat Options	0	0	0	0	0	0
VIC Track Wheat	0	0	0	0	1	0
Grand Total of all Products	**14**	**103**	**25**	**52**	**99**	**76**

Face Value by Product Monthly Totals

1 January 2018 – 30 June 2018

PRODUCT	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Bank Bills	0	0	0	0	0	0
Bills Libor	0	0	0	0	0	0
EFP	0	0	0	0	0	0
Floating/Floating	0	0	0	0	0	0
FRA	0	0	0	0	0	0
OIS	0	0	0	0	0	0
Outright	0	0	0	0	0	0
Short Swaps	0	0	0	0	0	0
FX Fwds	0	0	0	0	0	0
Iron Ore Swaps	0	0	0	0	0	0
Wheat Cleared CME	0	0	0	0	0	0
Livestock Lamb	0	0	0	0	0	0
Livestock Cattle	0	0	0	0	0	0
Wool	52	38	20	40	87	99
Wool Options	1	1	1	0	2	3
US Beef	0	0	0	0	0	0
NSW Track Wheat	0	0	0	0	0	0
NSW Track Wheat Options	0	0	0	0	0	0
VIC Track Wheat	0	0	0	0	0	0
Grand Total of all Products	**53**	**39**	**21**	**40**	**89**	**102**

MARKET REPORTS JULY 2017 – JUNE 2018 (6)

Face Value by Product Yearly Total

1 July 2017 - 30 June 2018

PRODUCT	1 July 2017 - 30 June 2018
Bills	0
Bills Libor	0
EFP	0
Floating/Floating	0
FRA	0
OIS	0
Outright	0
Short Swaps	0
FX Fwds	0
Iron Ore Swaps	0
Wheat Cleared CME	0
Wool	706
Livestock - Lamb	0
Livestock - Cattle	0
US Beef	0
NSW Track Wheat	6
VIC Track Wheat	1
Grand Total of all Products	**713**

MARKET REPORTS JULY 2017 – JUNE 2018 (7)

Cancelled Trades

1 July 2017 - 30 June 2018

PRODUCT	TENOR	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Wool	18.5 Micron			1									
	19 Micron												1
	21 Micron						1	1					2
Wool Options	18 Micron					1							
	19 Micron												1
Grand Total of all Products		**0**	**0**	**1**	**0**	**1**	**1**	**1**	**0**	**0**	**0**	**0**	**4**

Total Cancelled Trades = 8 Transactions

MARKET REPORTS JULY 2017 – JUNE 2018 (8)

Cancelled Trades as trades aggregated with another Transaction

1 July 2017 - 30 June 2018

PRODUCT	TENOR	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18
Total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total of all Products		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Total Cancelled/Aggregated Trades = 0 Transactions