ICO 2013 → **IEO** 2017 → **STO** 2018 – 2019

<table>
<tr><th></th><th>ICO</th><th>IEO</th><th>STO</th></tr>
<tr><td>What is it?</td><td>A blockchain-based fund-raising mechanism in which new crypto-tokens (i.e., a scarce digital asset defined by a blockchain protocol and exchanged via that blockchain system) are created and sold to purchasers by the project itself in exchange for fiat (i.e., government issued) money and/or cryptocurrencies, typically Bitcoin or Ethereum</td><td>A variation of the ICO where the project mints tokens and sends them to an exchange. The exchange then issues and sells the tokens, without going through the initial ICO step where users first give their money directly to the project</td><td>A security token offering is an offering of a digital asset that is structured to comply with applicable securities regulations. It is effectively the same as a regulated investment, wrapped in a digital token structure</td></tr>
<tr><td rowspan="2">Key (select) benefits for issuer</td><td colspan="3">□ Generally, a faster and easier fundraising method than traditional methods
□ Due to the online nature of marketing and automated settlement (via a blockchain platform), costs are typically lower
□ May avoid equity dilution
□ Can isolate economics in one asset or product line via cryptoeconomic design
□ May create liquid market (if token listed on a token exchange) which may attract more investors and potentially more investment
□ Tokenisation allows fractionalisation which further drives liquidity
□ Attracts a different investor base to the mining & metals sector</td></tr>
<tr><td>□ Limited disclosure requirements (depending on type of token)—whitepaper and website</td><td>□ Expertise and guidance from exchange on exchange listing, development of project, marketing
□ Tap into existing market participants of the exchange and shared marketing costs
□ Leverage credibility of exchange</td><td>□ Lower transaction costs compared to traditional investment contracts
□ Add credibility and certainty that token is issued in accordance with regulations
□ Provides comfort to investors that token is robust and regulated, and opens door to institutional investors
□ Through tokenisation, possible to code regulations into the token, allowing issuers to authorise trading without having to worry about running afoul of regulations (issuing tokens instead of certificates eliminates recordkeeping costs and increases shareholder liquidity)</td></tr>
<tr><td rowspan="2">Key benefits for investors</td><td colspan="3">□ A listed token issuance creates a liquid market and allows investors to trade in and out of their positions relatively easily
□ May offer a liquidity premium for investors and the opportunity to see gains more quickly and to take profits out more easily
□ May be able to reach a broader investor base (democratisation) compared to traditional securities and attract a different investor base to the mining & metals sector</td></tr>
<tr><td>□ Typically can be accessed by any (retail) investor—may not have to be an “accredited investor”
□ Certain tokens, and in particular cryptocurrencies (or “exchange tokens”), can appreciate/depreciate quickly in value (Bitcoin was worth US$100 in 2013 and in December 2017 it was trading just under US$20,000)</td><td>□ Provides comfort that token has been “vetted” by the exchange
□ Allows for newly minted token to be held on the exchange platform together with other assets/tokens held by the investor on the platform (in one place)</td><td>□ Provides investors an instrument type and offering structure within a well-understood securities law framework</td></tr>
<tr><td>Example</td><td>Ethereum ICO (Q3 2014)</td><td>BitTorrent IEO (Q1 2019)</td><td>Aspen Coin STO (Q4 2018)</td></tr>
<tr><td>AML/KYC</td><td>An investor may have to go through a AML/KYC process, as set up by the project</td><td>Conducted by the exchange as a condition to signing up and purchasing tokens</td><td>High level of AML/KYC in compliance with regulations</td></tr>
<tr><td>Level of regulation</td><td>Low</td><td>Low/Medium</td><td>High*</td></tr>
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*Under US federal securities laws, the security token would be structured and classified as an “investment contract” under the *Howey* test and therefore subject to US federal securities laws. Each US state and jurisdiction would also apply its securities laws to the instrument and offering as well as to the parties making a market in the security instrument.

*Under English law, the security token would be structured and classified as a “Specified Investment” and therefore subject to the “regulatory perimeter” of the Financial Conduct Authority (FCA), and the relevant UK securities regulations. FCA's guidance clarifies that security tokens include tokens that grant holders some (or all) of the rights conferred on shareholders or debt-holders, as well as those tokens that give rights to other tokens that are themselves Specified Investments. The most relevant Specified Investments for tokens are likely to be shares, debt instruments, warrants, certificates representing certain securities, units in collective investment schemes, and rights and interests in investments.

*When structuring a security token under other laws, it is important to note that the definition of a “security” is not standardised globally, and therefore the nature of the token has to be assessed for every jurisdiction in which the token is sold or in which the issuer operates to establish whether a specific token constitutes a security in that jurisdiction and therefore triggers the application of any respective securities regulation.