Initial Token Offering
of up to 25 million Ethereum-based "H2O" tokens

Hydrominer GmbH i.Gr., a limited liability company in formation (*in Gründung*) pursuant to Austrian laws, having its registered seat at Wiedner Hauptstraße 65, 1040 Vienna, Austria (the "**Developer**") intends to offer for exchange up to 25 million units of a new Ethereum-based token named "H2O" (the "**H2O(s)**") during a limited offer period (the "**Offer Period**") beginning on 18 October 2017 12:00 CET and ending on 14 November 2017 12:00 CET (the "**Initial Token Offering**" or "**ITO**"). H2Os are ERC20 tokens based on the Ethereum platform serving as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region.

This Initial Token Offering is governed by Austrian law and is subject to the terms and conditions set out in this document (the "**Token Offer Document**") and the Token Exchange Agreement attached hereto as Schedule A. This Token Offer Document has been drafted in accordance with the requirements set out in Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 (the "**Consumer Rights Directive**") and the Austrian Consumer Rights Directive Implementation Act (CELEX-Number 32011L0083). You are required to read this Token Offer Document carefully before deciding to participate in this Initial Token Offering.

H2Os are 'digital content' in the sense of Article 2 para (11) of the Consumer Rights Directive. H2Os qualify as immaterial and movable assets (*unkörperliche und bewegliche Sachen*) in the sense of §§ 285, 292, 293 of the Austrian General Civil Code and are subject to property rights under Austrian law. If you decide to participate in this Initial Token Offering, you will obtain legal competence (*Rechtszuständigkeit*) under Austrian law over the amount of H2Os delivered to you.

H2Os are not securities and do not carry with them any rights as may be commonly associated with securities. Consequently, this document is not a capital market prospectus and Austrian capital market regulation does not apply to this Initial Token Offering. Austrian law does not require the prior approval of this Initial Token Offering by any government agency and this Token Offer Document has not been filed with or approved by any government authority. Any person considering to participate in this Initial Token Offering is required by the Developer to inform themselves about, and to observe, any restrictions imposed upon them by any jurisdiction other than the laws of Austria. For a description of certain restrictions see the chapter "EXCHANGE RESTRICTIONS" beginning on page 11.

The Developer intends to have H2Os listed on a number of virtual currency exchanges. Due to the link of H2Os to electric power consumption described in this Token Offer Document, the Developer aims to have the market value of H2Os increase over time. However, there is no guarantee that an increase of the H2Os' market value can be achieved. **If you decide to participate in this Initial Token Offering as a form of investment, the Developer expressly warns you that an investment in H2Os carries a high degree of risk. For a description of risks associated, see the chapter "RISC FACTORS" beginning on page 30.**

The Developer assumes the sole responsibility for the information provided in this Token Offer Document and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Token Offer Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Token Offer Document may only be used for the purpose for which it has been published. In particular, it may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. This Token Offer Document does not constitute an offer of H2Os nor an invitation for an offer to exchange any amount of Ether for H2Os. This Token Offer Document will be published in electronic form under www.hydrominer.org and will be available until the end of the Offer Period.

Vienna, 17 October 2017

PRIOR WARNING

This Token Offer Document has been prepared to provide information on the Initial Token Offering, the Developer and the H2Os. If you make a decision to participate in this Initial Token Offering and to exchange Ether for H2Os, you should base this decision on an assessment of the Developer and the H2Os as described in this Token Offer Document, including, but not limited to, the associated risks, as well as the conditions of the Initial Token Offering and the use of H2Os. You must assess yourself, with your own advisors if necessary, whether participating in this Initial Token Offering is suitable for you, considering your personal income and financial situation. In case of any doubt about the risk involved in participating in this Initial Token Offering, you should abstain from participating.

The summaries and descriptions of legal provisions, accounting principles or comparisons of such principles, legal company forms or contractual relationships reported or any other information contained in this Token Offer Document may in no circumstances be interpreted as investment, legal or tax advice. You are urged to consult your own advisors concerning the legal, tax, economic, financial and other aspects associated with the participation in this Initial Token Offering.

CHANGES TO THIS TOKEN OFFER DOCUMENT

The information contained in this Token Offer Document is accurate as of the date of this Token Offer Document. Any new significant fact, or material error or inaccuracy concerning the information contained in the Token Offer Document that can influence the assessment of the Developer or the H2Os and which arises or becomes known to the Developer between the date of the Token Offer Document and the end of the Offer Period will be made public online under www.hydrominer.org.

In addition, the Developer reserves the right to update and modify this Token Offer Document at any time before the Offer Start Date. No amendments will be made in the Offer Period. If you decide to participate in this Initial Token Offering, you will be required to declare to have read and understood the Token Offer Document in the form valid at the time of the Offer Start Date. The Developer assumes no responsibility to keep you updated about changes made to this Token Offer Document before the Offer Start Date and you are required to carefully read the version valid in the Offer Period.

NO RIGHT OF WITHDRAWAL

The Developer expressly informs you that there is no right of withdrawal in relation to an Exchange Offer (as defined herein) made by you, neither statutory nor contractual. Articles 9 to 15 of the Consumer Rights Directive as implemented by § 11 of the Austrian federal law on distance and off-premises sales provide for the right of a consumer to withdraw from a distance or off-premises contract. This Initial Token Offering, however, is excepted from this right of withdrawal since it concerns the supply of goods (H2Os) for which the price is dependent on fluctuations in the financial market which cannot be controlled by the Developer and which may occur within the withdrawal period (Article 16 litera (b) of the Consumer Rights Directive; § 18 para (1) item 2 of the Austrian federal law on distance and off-premises sales).

Additionally, the exception of Article 16 litera (m) of the Consumer Rights Directive and § 18 para (1) item 11 of the Austrian federal law on distance and off-premises sales applies, since this Initial Token Offering concerns

the supply of digital content in the sense of the Directive which is not supplied on a tangible medium and prior express consent and acknowledgment must be made that the right of withdrawal is lost when making an Exchange Offer. As soon as the Exchange Offer has been made, the Developer will provide the Participant (as defined herein) with an email confirmation relating to such prior express consent and acknowledgment as well as to the legally binding Exchange Offer itself.

PRIVACY NOTICE

Besides the exact amount of H2Os, certain personal data may have to be provided in order to validly submit an Exchange Request (as defined herein) to the Developer. These personal data may comprise your full name and address, date of birth, telephone number, and email address. Such collected data solely serve the purpose of processing the Exchange Request as well as executing the Token Exchange Agreement. Moreover, such data are gathered to fulfil relevant legal requirements. Personal information will in no event be communicated or released to third parties and is to be deleted by the Developer after one year after the last day of the Offer Period. As the Exchange Request is submitted only on demand of a Participant, the voluntary provision of your data is considered an explicit approval of the subsequent processing of such data.

FORWARD-LOOKING STATEMENTS

This Token Offer Document contains certain forward-looking statements. A forward-looking statement is a statement that does not relate to historical facts and events. The forward-looking statements are based on analyses or forecasts of future results and estimates of amounts not yet determinable or foreseeable. Such forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "plan", "predict", "project", "will" and similar terms, including references and assumptions. This applies, in particular, to statements in this Token Offer Document containing information on future developments of the Developer.

Forward-looking statements in this Token Offer Document are based on current estimates and assumptions that the Developer makes to the best of its present knowledge. Such forward-looking statements are subject to risks, uncertainties and other factors which could cause actual developments to differ materially from and be worse than expected or assumed or described in these forward-looking statements. Accordingly, any persons interested in participating in this Initial Token Offering is strongly advised to read the chapter "RISK FACTORS" beginning on page 30. This chapter includes more detailed descriptions of factors that might have a negative impact on the Developer and the H2Os.

In light of these risks, uncertainties and assumptions, future events described in this Token Offer Document may not occur. In addition, the Developer does not assume any obligation, except as required by Austrian statutory law, to update any forward-looking statement or to conform these forward-looking statements to actual events or developments.

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1.   DEFINITIONS

AG	Austrian stock corporation (*Aktiengesellschaft*).
Aggregate Exchange Proceeds	Total amount of all ETH Exchange Amounts transferred to the Collection Address from verified Participants in the Offer Period.
Altcoin(s)	Alternative coins; used to describe coins other than Bitcoin or Ether.
AMD	Advanced Micro Devices, Inc., an American semiconductor company that develops computer processors and related technologies.
ASIC	Application-specific integrated circuit, an integrated circuit customized for a particular use rather than intended for general-purpose use such as CPUs.
B2C	Business to consumer.
BIOS	Basic Input Output System; a non-volatile firmware used to perform hardware initialization during the booting process and to provide runtime services for operating systems and programs.
BNT	Bancor Network Token; a token used to utilize the services of Bancor; one BNT holds one or more other tokens in reserve and enable a party to purchase or liquidate BNT in exchange for any of its reserve tokens.
Business Day	A day other than a Saturday or Sunday which is not a public holiday in Austria.
CET	The time zone used in Austria (Central European Time).
cf	Confer, Latin for compare.
CJEU	Court of Justice of the European Union.
Collection Address	An address on the Ethereum blockchain where all ETH Exchange Amounts transferred by all Participants are collected.
Consumer Rights Directive	Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council.

CPU	Central processing unit; electronic circuitry within a computer that carries out the instructions of a computer program by performing the basic arithmetic, logical, control and input/output operations specified by the instructions, intended for general-purpose use rather than for a single particular use such as ASICs.
DAG	Directed Acyclic Graph; in Ethereum, a DAG is created every epoch (defined as a certain number of block mined) using a version of the Dagger-Hashimoto Algorithm.
DAO	Decentralized Autonomous Organization which is a term used to describe a virtual organization embodied in computer code and executed on a distributed ledger or blockchain.
Delivery	Transfer of the H2O Exchange Amount of H2Os to the ETH Address the Participant has transferred the ETH Exchange Amount from.
Developer	Hydrominer GmbH i.Gr., a limited liability company in formation (*in Gründung*) pursuant to Austrian laws, yet to be registered with the Commercial Court of Vienna, having its registered seat at Wiedner Hauptstraße 65, 1040 Vienna, Austria.
EEA	European Economic Area.
ETH Address	Identifier of alphanumeric characters that represents a possible destination on the Ethereum blockchain.
ETH Exchange Amount	Amount of Ether or fraction thereof to be transferred by a Participant to the Collection Address in order to make a binding Exchange Offer.
ETH Token Value	Fraction of Ether to be transferred in exchange for a single H2O; the ETH Token Value changes in the Offer Period and equals 0.0080 Ether in ITO Week 1; 0.0085 Ether in ITO Week 2; 0.0090 Ether in ITO Week 3 and 0.0095 Ether in ITO Week 4.
Ether	The virtual currency used in connection with the Ethereum platform.
Ethereum	Open-source, public and blockchain-based distributed computing platform featuring smart contract functionality (scripting), which facilitates online contractual agreements.
EUR, Euro	The currency of the member states of the European Union, which participate in the European Monetary Union.

Exchange Offer	Legally binding offer from a Participant to exchange Ether for H2Os by transferring the ETH Exchange Amount of Ether stated in the Developer's Offer Invitation to the Collection Address.
Exchange Request	Legally non-binding request made by a Participant to be provided with an Offer Invitation regarding a certain number of H2Os.
Exchange Request Form	Template for an Exchange Request as attached to this Token Offer Document in <u>Schedule B</u>.
FN	Austrian company register number (*Firmenbuchnummer*).
GDDR5	Double data rate type five synchronous graphics random-access memory, a modern type of synchronous graphics random-access memory.
GDDR5X	Successor of GDDR5.
GesbR	Civil law company (*Gesellschaft bürgerlichen Rechts*).
GH$_{/s}$	Megahash per second, i.e., one billion hashes per second calculated by a certain mining hardware.
GH$_{/w}$	Megahash per watt of electricity consumed, i.e., one billion hashes calculated by using one watt of electricity.
GmbH	Austrian private limited liability company (*Gesellschaft mit beschränkter Haftung*).
GPU	Graphics processing unit.
H2O Exchange Amount	The amount of H2Os a Participant is requesting to exchange for Ether in an Exchange Request or offering to exchange for Ether in an Exchange Offer.
H2O Mining Facilities	All mining facilities the Developer will construct after this Initial Token Offering took place using Ether obtained in this ITO.
H2Os	Ethereum-based tokens as described in this Token Offer Document which serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region.
Hydro 1	290 kWh hydro power station in Schönberg in Lower Austria, equipped with a total of 120 mining units, each with between 6 and 10 GPUs, currently owned and operated by Hydrominer GesbR.

Hydro 2	700 kWh hydro power station in Waidhofen an der Ybbs, currently in the process of being equipped with up to 150 GPU-based units and 100 Bitcoin miners; Hydro 2 will be owned and operated by Hydrominer GesbR.
Initial Token Offering *or* ITO	The exchange of up to 25 million units of the new Ethereum-based tokens named 'H2O' for Ether during the Offer Period as described in this Token Offer Document.
ITO Smart Contract	Smart contract on the Ethereum platform as described in this Token Offer Document that is managing the Initial Token Offering process.
ITO Week 1	The period starting on the Offer Start Date (12:00 CET) and ending on 24 October 2017 (24:00 CET).
ITO Week 2	The period starting on 25 October 2017 (00:00 CET) and ending on 31 October 2017 (24:00 CET).
ITO Week 3	The period starting on 1 November 2017 (00:00 CET) and ending on 7 November 2017 (24:00 CET).
ITO Week 4	The period starting on 8 November 2017 (00:00 CET) and ending on the Offer End Date (12:00 CET).
kWh	Kilowatt per hour, i.e., 1,000 watts per hour.
$MH_{/s}$	Megahash per second, i.e., one million hashes per second calculated by a certain mining hardware.
$MH_{/w}$	Megahash per watt of electricity consumed, i.e., one million hashes calculated by using one watt of electricity.
NVIDIA	Nvidia Corporation, an American technology company developing GPUs for the gaming and professional markets.
Offer End Date	The last day of the Offer Period, i.e., 14 November 2017 12:00 CET.
Offer Invitation	Legally non-binding invitation from the Developer to a Participant to make a legally binding Exchange Offer.
Offer Period	The period starting on the Offer Start Date and ending on the Offer End Date; in the Offer Period, the Developer may be provided with Exchange Requests and Exchange Offers by Participants; the Developer reserves the right to extend or contract the Offer Period if demand for the H2Os requires such course of action.

Offer Start Date	The first day of the Offer Period, i.e., 18 October 2017 12:00 CET.
Offer Website	www.hydrominer.org.
Participant	A person participating in this Initial Token Offering.
Participant, registered	A Participant in this Initial Token Offering after submitting an Exchange Request to the Developer.
Participant, verified	A Participant in this Initial Token Offering who has (a) made an Exchange Offer by transferring the ETH Exchange Amount of Ether to the Collection Address and (b) expressly accepted the terms of the Token Exchange Agreement.
PoS	Proof of Stake; a method to verify transactions currently discussed to be introduced into the Ethereum platform that would make energy-intense mining pointless.
PoW	Proof of Work; the method currently used to verify transactions in most blockchains; PoW requires an energy-intense mining operation.
Private Key	Alphanumeric value that is required to sign a transfer of Ether from one ETH Address to another ETH Address.
Reporting Date	Every 15 November of a calendar year for a period of three consecutive years after the Offer End Date, starting on 15 November 2018 and ending on 15 November 2020.
Return Transfer	Transfer of Ether back to the ETH Address the Participant has transferred the ETH Exchange Amount of Ether from; a Return Transfer is made if the Developer does not accept an Exchange Offer.
SEC	United States Securities and Exchange Commission.
Securities Act	United States Securities Act of 1933.
Securities Exchange Act	United States Securities Exchange Act of 1934.
Target Markets	Territories where the Initial Token Offering as described in this Token Offer Document is not prohibited by law or regulation.
TFEU	Treaty of the Functioning of the European Union.
Token Creation Date	Date when the Total Token Amount of H2Os will be created by the Developer; the Token Creation Date is the day before the Offer Start Date, at the latest.

Token Delivery Date	Date when Delivery of H2Os to a Participant takes place.
Token Exchange Agreement	Barter agreement in the sense of § 1045 of the Austrian General Civil Code concluded between the Developer and the Participant regarding the exchange of H2Os for Ether, a template of which is attached to this Token Offer Document as Schedule A.
Token Holder	Any person holding H2Os on an address on the Ethereum blockchain this person has control over.
Token Offer Document	This document including all schedules and supplements and material incorporated by reference.
Total Token Amount	Total amount of H2Os created by the Developer in this Initial Token Offering, i.e., 100 million H2Os.
USD	The currency of the United States of America.
USV	Uninterruptible power source; an electrical apparatus that provides emergency power to a load when the input power source or main power fails.
W	One watt; derived unit of power in the International System of Units defined as 1 joule per second and which is be used to quantify the rate of energy transfer.

2. EXCHANGE RESTRICTIONS

This Token Offer Document may only be used, and this Initial Token Offering is only made, in such countries and territories where the use of the Token Offer Document and the Initial Token Offering as described herein is not prohibited by law or regulation (the "**Target Markets**"). This Token Offer Document does not constitute an offer to exchange (or solicitation from anyone to this end) in any country or on any territory where its publication, disclosure, lecture or communication by any means or any reliance on its content would be illegal or subject to the approval and authorization of, or filing with, any authority or entity, or in which such an offer or solicitation is prohibited, or to any person located in a territory where it is illegal to make such an offer or solicitation.

In particular, the Developer informs you about the following restrictions it has become aware of, however, without making an assessment as to the accuracy and completeness of the information provided. Any person considering to participate in this Initial Token Offering is required to inform themselves about, and to observe, any restrictions imposed upon them by any jurisdiction other than the laws of Austria.

- In **Bangladesh**, the Bangladesh Bank established that using virtual currencies would violate anti-money laundering laws and people using virtual currency could face criminal charges.[1]

- In **Bolivia**, the Central bank has officially banned the use of virtual currencies that are not regulated by the government.[2]

- In **Canada**, the Canadian Securities Administrators have published a notice on Initial Coin/Token Offerings stating that Canadian securities law may apply to virtual currencies and Initial Coin/Token Offerings.[3]

- **China** has recently prohibited Initial Coin/Token Offerings.

- In **Ecuador**, the government has banned virtual currencies due to the establishment of a new electronic money system that is run by the state.[4]

- In **Germany**, the German Federal Financial Supervisory Authority maintains that authorisation requirements may apply to platforms and exchanges of virtual currencies.[5]

- In **India**, the Reserve Bank of India is planning to introduce a regulatory framework for virtual currencies. However, as of now the legal status of Bitcoin and other virtual currencies remains unclear.[6]

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[1] http://www.telegraph.co.uk/finance/currency/11097208/Why-Bangladesh-will-jail-Bitcoin-traders.html
[2] http://www.ibtimes.co.uk/cryptocurrency-round-bolivian-bitcoin-ban-ios-apps-dogecoin-mcdonalds-1453453
[3] http://www.planetcompliance.com/2017/09/21/global-overview-outlook-ico-regulation/
[4] http://www.ibtimes.co.uk/ecuador-reveals-national-digital-currency-plans-following-bitcoin-ban-1463397
[5] https://www.bafin.de/EN/Aufsicht/FinTech/VirtualCurrency/virtual_currency_artikel_en.html
[6] https://www.cryptocoinsnews.com/indias-central-bank-working-bitcoin-regulation-official/

- **Japan** has enacted a law regulating blockchain based virtual currencies. Exchanges are required to obtain licenses as a payment institution. These provisions also affect service providers outside of Japan.

- In the **Kyrgyz Republic**, the government has emphasized that virtual currencies violate the law of the state if used as a means of payment.[7]

- In **Lithuania**, the Bank of Lithuania has banned financial institutions from engaging in services and investments related to virtual currencies. Furthermore, offerings of coins or tokens will require the issuer to provide a prospectus similar to the law on securities.[8]

- In **South Korea**, the Korean Financial Services Commission prohibited Initial Coin/Token Offerings and announced strict penalties for financial institutions and third parties involved in Initial Coin/Token Offerings.[9]

- In **Switzerland**, the Swiss Financial Market Supervisory Authority announced that it would investigate Initial Coin/Token Offerings to determine their compliance with Swiss Law.[10]

- In the **United States of America**, the US Securities and Exchange Commission announced that U.S. federal securities law may apply to the offering and sale of digital tokens.[11]

No Exchange Request, Offer Invitation or Exchange Offer (all as defined herein) may be made in this Initial Token Offering, and neither the Token Offer Document nor any information relating to the Initial Token Offering may be distributed or published in any jurisdiction, except in circumstances that will result in compliance with any applicable laws and regulations. Any person having access to this Token Offer Document must obtain information on these restrictions and, if applicable, comply with such restrictions. By accepting a copy of the Token Offer Document or any notice or information relating to the Initial Token Offering and/or by submitting an Exchange Request or an Exchange Offer, each Participant shall be deemed to agree with, and represent that it complies with, such restrictions.

No step has been taken to authorize the Initial Token Offering in a country or on a territory where formalities are required for this purpose. Neither this Token Offer Document nor any other information or publicity may be provided to the public in a country or on a territory where registration, approval or any other obligation is or will be applicable in connection with this Initial Token Offering and it may not be distributed in any country or on any territory other than the Target Markets (as defined herein).

Any breach of these restrictions may constitute a breach of laws and regulations applicable in a country or on a territory other than the Target Markets. Neither the Developer, nor any other person participating in this Initial Token Offering, shall be liable for any breach of these restrictions.

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[7] http://www.nbkr.kg/searchout.jsp?item=31&material=50718&lang=ENG

[8] https://www.cryptocoinsnews.com/lithuanias-central-bank-issues-ico-guidelines-reminds-banks-of-cryptocurrency-ban/

[9] https://www.reuters.com/article/us-southkorea-bitcoin/south-korea-bans-raising-money-through-initial-coin-offerings-idUSKCN1C408N

[10] https://www.nytimes.com/2017/09/29/business/sec-initial-coin-offerings.html

[11] https://www.coindesk.com/securities-exchange-commission-us-securities-laws-may-apply-token-sales/

3. THE DEVELOPER

3.1 Basic Information

Hydrominer GmbH i.Gr. (the "**Developer**") is a limited liability company in formation (*in Gründung*) pursuant to Austrian laws, yet to be registered with the Commercial Court of Vienna. The Developer has its corporate seat at Wiedner Hauptstraße 65, 1040 Vienna, Austria. The Developer has developed the H2Os as described in this Token Offer Document. A telephone number to contact the Developer will be displayed on the Offer Website as soon as it is available (regular land-line charges may apply).

Mail address: Wiedner Hauptstraße 65, 1040 Vienna, Austria

3.2 History and Outlook

In 2014, Nadine and Nicole Damblon, inspired by a common friend from the United States of America, started mining crypto currencies with their home computers in Vienna, Austria and Düsseldorf, Germany. After a year of profitable mining, some friends wished to invest in their mining activities and their mining farm grew bigger.

In late 2015, they reached the maximum amount of electricity that they could receive in their apartments. They realized that the lowest price per unit of energy would decide the success of mining operations in the future. Soon they discovered that a big part of the electricity fee in Germany and Austria consists of a network power transmission fee. This fee is charged as soon as the generated electricity is transmitted over the general energy grid. To avoid this fee one needs to obtain electricity directly at the power plant.

Austria is home to many small hydro power stations which are usually in private hands. Through a friend, Nadine and Nicole were able to rent space in a hydro power station near Vienna (Schönberg in Lower Austria). Some more private investors joined and they expanded.

Until recently, the business of the Hydrominer team was conducted as a civil law company (*Gesellschaft bürgerlichen Rechts; GesbR*) pursuant to Austrian laws with a total of six partners ("**Hydrominer GesbR**"). Beside Nadine and Nicole Damblon, over the previous years, four additional partners had joined, namely Christian Vogl, Michael Marcovici, Harald Steinbichler and Sebastian Kastner. All activity up until now has been conducted by Hydrominer GesbR and all assets such as Hydro 1 and Hydro 2 are held and will be held by Hydrominer GesbR. The six partners have decided to establish a limited liability company pursuant to Austrian laws with the name 'Hydrominer GmbH i.Gr.' Hydrominer GesbR and Hydrominer GmbH i.Gr. are separate legal entities and it is not intended that assets of Hydrominer GesbR are transferred to Hydrominer GmbH.

<ins>Schönberg in Lower Austria (Hydro 1)</ins>

In Schönberg, Hydrominer GesbR has equipped a 290 kWh hydro power station with a total of 120 mining units, each with between 6 and 10 GPUs. Besides installing the mining units, Hydrominer had to adapt the power station's electric system to fit the equipment. Since only little space was avail-

able inside the power station and since no co-located container could be installed, this was a challenging project. However, the hydro power station has a stable supply of energy and is in good condition. In Schönberg, the average price per kWh is about 4.5 cents.

<u>Waidhofen an der Ybbs (Hydro 2)</u>

In Waidhofen, Hydrominer GesbR is currently equipping another power station with a maximum capacity of 700 kWh. This project is realized in a smaller 20-foot container with a capacity of up to 150 GPU-based units and 100 Bitcoin miners. This power station is a large hydro power station and has just recently been overhauled. There is sufficient energy for up to 3 containers without any interruptions, even at low water levels.

	Hydro 1	Hydro 2
Structure	Reinforced concrete building	20" container
Area	ATS / ELIN	ATS / Siemens
On-site Personnel	Waterproof/Fire resistant	Waterproof/Fire resistant
Data Center	Free Air Cooling	Free Air Cooling
Connectivity	34000 m3	34000 m3
Operators	Soler & Palau	Soler & Palau
Power Consumption	170 kWh	160 kWh
Hydro Power	20 to 24 C	24 to 30 C
Turbine	2x Francis Voith	Koessler Pelton
Power Backup	Verbund Austria	Private grid/EVN
Substation	ATS / ELIN	Hydroenergie Roth
Cabling	Waterproof/Fire resistant	Waterproof/Fire resistant
Cooling Type	Free Air Cooling	Free Air Cooling
Cooling Capacity	22000 m3	34000 m3
Cooling Name	Soler & Palau	Soler & Palau
Heat Exchangers	65 kWh	80 kWh
Temperature	20 to 24 C	24 to 30 C
Humidity	Industry standard	Industry standard
Fire	Gas extinguishing fire supr.	Gas extinguishing fire supr.
Intrusion	Detection with sensors, video	Detection with sensors, video
Surveillance	Video, Group4, Alarm system	Video, Group4, Alarm system
Insurance	Fire, Water, Damage, Theft	Fire, Water, Damage, Theft
Insurer	UNIQA	UNIQA

3.3 Corporate Structure

On 16 October 2017, the constitutional shareholder meeting for the establishment of the Developer took place and necessary corporate documents have been signed and filed with the competent court in Vienna, Austria. As at the date of this Token Offer Document, the Developer was still in the process of being established.

Pursuant to Austrian law, a limited liability company (*Gesellschaft mit beschränkter Haftung*) such as the Developer is created as an independent legal entity only with its entry in the company register. It is only with this registration that the company acquires full legal personality. The entry into the company register is thus a constitutive act. However, it is not uncommon that companies are already active before their entry into the company register.

Since corporate documents for the establishment of the Developer have been executed, the Developer is—at the date of this Token Offer Document—in a state of a *Vorgesellschaft*. As long as it has not yet been registered in the company register, the Vorgesellschaft is regarded as a legal form of its own kind (legal form *sui generis*); it therefore does not fall under all provisions of the Austrian Limited Liability Companies Act.

However, also a *Vorgesellschaft* possesses certain partial rights. The *Vorgesellschaft* may act in commercial transactions with an addition that makes reference to its legal nature (by adding '*in Gründung*' or '*in formation*' after its name). The *Vorgesellschaft* may then bear rights and obligations, and conclude legal transactions. The *Vorgesellschaft* is therefore legally capable of conducting this Initial Token Offering.

Only when the Developer is registered in the company register, it is created as such. All rights, obligations and assets of the *Vorgesellschaft* are then transferred onto the Developer, irrespective of whether they are the subject of contributions from the shareholders or have been acquired or justified by the *Vorgesellschaft*. The Developer will therefore become party to all Token Exchange Agreements that are entered into by the *Vorgesellschaft* in this Initial Token Offering as soon as it has been registered in the company register.

Ms. Nadine Damblon and Mr. Christian Vogl have been named as managing directors (*Geschäftsführer*) who will have legal power to represent the Developer after its registration in the company register. Until then, they also have legal power to represent the *Vorgesellschaft*.

The Developer is a different entity then Hydrominer GesbR. Hydro 1 and Hydro 2 are operated by Hydrominer GesbR but not by Hydrominer GesmBH i.Gr. These mining operations are referred to in this Token Offer Document only to underscore the experience that the Hydrominer team has acquired regarding mining operations in the past. Assets from Hydrominer GesbR will not be transferred to Hydrominer GmbH.

3.4 Contact Details

If you have questions regarding this Initial Token Offering or the H2Os, you may contact the Developer via telephone (see item 3.1.) or via email (info@hydrominer.org) during regular Vienna business hours on any Business Day. If you are calling from outside of Austria, charges for international calls on the telephone land line of the Developer may apply.

3.5 Business Field and Trends

The following is summary of the business field the Developer operates in and trends that may affect the Developer and the H2Os. The summary is based on publicly available information. Despite using reasonable care, the Developer makes no representation as to the reliability of its sources or the accuracy of the information provided.

The main business field of the Developer is mining of virtual currencies using green energy drawn from hydro power stations in the Alpine region of Europe. By employing hydro power stations in the Alps region, the Developer is able to make use of comparably low prices per kWh of electricity consumed. Compared to the average retail electricity costs in Europe, energy can be obtained at a discount of up to 85 percent. Additionally, the Developer is considering using readily available water or other low-cost means for the cooling of mining hardware. These two factors allow the Developer to compete with Northern Europe and China in terms of energy prices.

Where possible, mining equipment is built inside standard sea freight containers. The advantage is that containers can easily be assembled near the headquarters in Vienna, Austria, and then taken to a hydro power station. The Developer has a proven method for equipping containers with mining hardware using effective cooling and ventilation equipment. Containers can be moved to another location very quickly if needed, e.g., if water levels were to rise or hydro power stations are shut down for turbine maintenance. The average cost for one fully equipped container ranges between USD 350,000 and 650,000, depending on the hardware used and the cooling technology employed.

The Developer mines all scalable virtual currencies. The decision as to what currency to mine is made by software algorithms which choose the best option available at any moment. The Developer is also flexible about the mining pools it uses, depending on payouts and liquidity among other factors.

3.5.1 GPU Mining (AMD vs NVIDIA)

AMD has been considered leader in the GPU mining market for a long time due to comparably high hash rates per watt of its RX 4xx and 5xx chips. With a custom BIOS it is currently possible—using a real example—to maintain a 160 $MH_{/s}$ Ethereum mining rig comprised of 6 RX580 chips (each mining at 26 to 28 $MH_{/s}$) with less than 700 W of power. Also AMD has released a new driver that boosts mining performance of their RX chips by preventing a loss of effectiveness on DAG changes.

This said, it is difficult to purchase large numbers of AMD GPUs. The market is suffering from a supply problem derived from the current mining rush. After Ethereum mining profitability increased in the last years, even in countries with high electricity costs many end-users, even ones with only

basic computer skills and crypto currency knowledge, started their own in-house mining operations while investors secured large numbers of GPUs.

Because of this, miners started looking at NVIDIA cards, which are easier to obtain due to larger production quantities by manufacturers. After some optimizations on mining software, we now have the situation that the GTX1070 chip from NVIDIA challenges the AMD cards and in many cases can overcome AMD in terms of hash rate per watt.

Other more powerful chips from NVIDIA like the 1080 and 1080 TI are less useful when it comes to mining because the mining algorithms usually better fit the GDDR5 latency characteristics of less powerful chips than GDDR5X used by the more powerful chips.

Summary Data

GPU	Average MH$_{/s}$	Power Consumption	MH$_{/w}$
EVGA GTX 1080 TI	32.3	250 W	0.129200000
EVGA GTX 1080	22.5	175 W	0.128571429
EVGA GTX 1070	30.2	110 W	0.274545455
EVGA GTX 1060	21.3	98 W	0.217346939
MSI R9 FURY	29.6	170 W	0.174117647
MSI R9 390X	31.1	150 W	0.207333333
Sapphire Nitro RX 580	27.3	104 W	0.262500000
Sapphire Nitro RX 570	23.2	98 W	0.236734694

Source: Own contribution of the Developer (Ethereum proxy-mining operation).
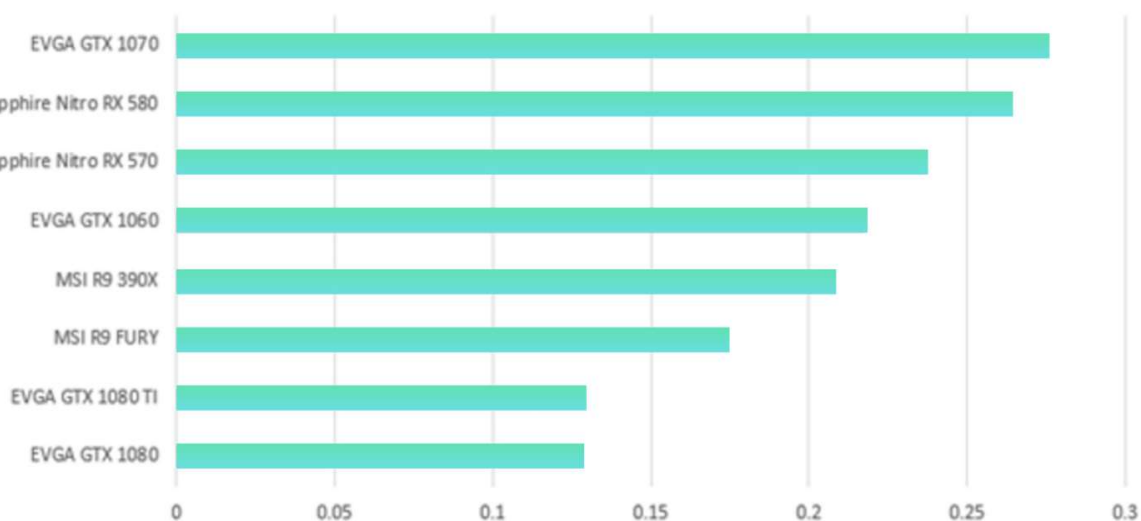
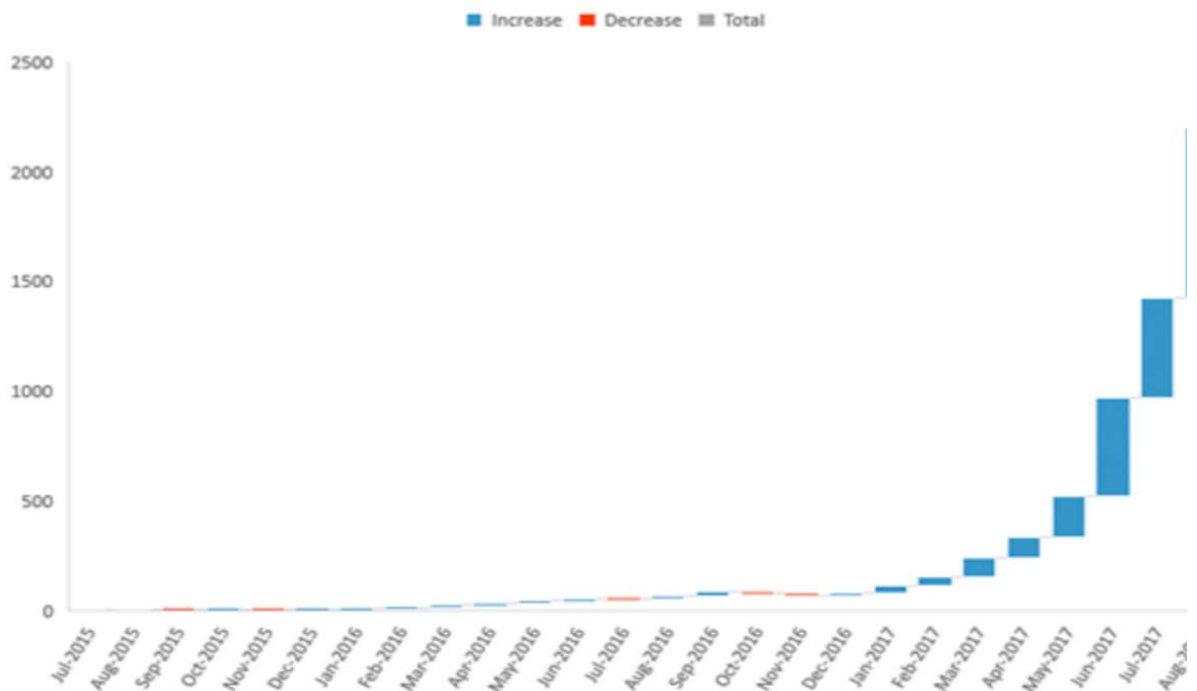Source: Own contribution of the Developer (X-axis = MH$_{/w}$).

3.5.2 Virtual Currencies to mine

As of the date of this Token Offer Document, mining Ether is profitable because of the potential growth of the Ethereum platform in the next years. Analysts generally agree that the Ethereum platform still has potential to grow and that the market price of one Ether might surge as high as USD 500 by the end of 2018.

One aspect that might make Ether mining unprofitable in the future is the currently discussed introduction of Proof of Stake (PoS) which Vitalik Buterin is planning to introduce in a future 'Casper' release of Ethereum. The PoS concept is very different from the current PoW (Proof of Work) that Ethereum is using. With PoS, virtual miners known as validators would commit Ether to the system when mining with the understanding that they would lose their deposits if they were not to follow the consensus rules (e.g., if they were to validate corrupt transaction requests). The Ethereum community is divided on the matter—it might be that a PoS never will be introduced. A shift to PoS would have different implications that could endanger the Ethereum platform itself.

Another aspect that needs to be taken into account when planning mining operations is the increase of mining difficulty. The mining difficulty in the Ethereum network has increased steadily in the last months. The pace of the increase has put many casual miners out of business and left space only for well-organized mining operations with an eye on power consumption.

3.6   Increase of mining difficulty

Source: Own contribution of the Developer (X-axis = MH/W).

The main reason for this increase in mining difficulty may likely have been Ethereum's price growth of 1,500 percent, surging from USD 20.00 to USD 300.00 in less than a year. With the price stabilizing around USD 300 and the shortage of GPU supplies, the difficulty growth might be slower in the months to come—although this is difficult to predict.
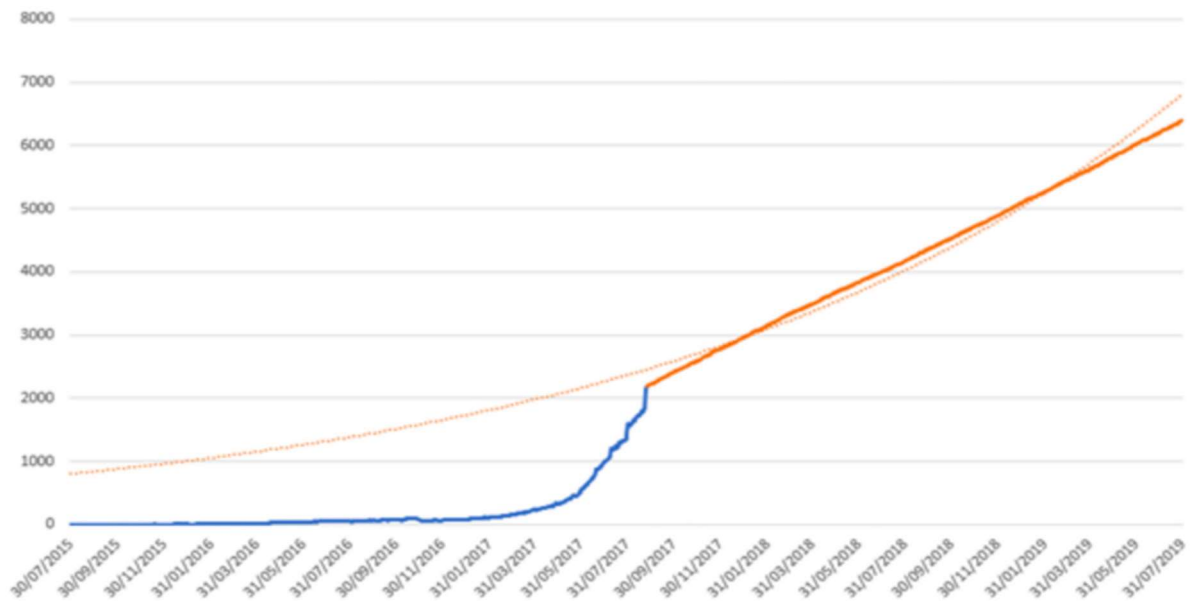
Source: Own contribution of the Developer (Y-axis = difficulty).

Trying to run a state-of-the-art forecast on Ethereum difficulty does not return meaningful results. The reason for this is the lack of historical data. A good compromise is to show a linearized growth of difficulty based on an exponential pattern (see above). In this scenario, the Developer would be able to run Ethereum mining for another 2 years. This might be difficult to achieve in reality, therefore the mining infrastructure needs to be prepared to switch to Altcoins to mine. Given current profit margins, there are a variety of Altcoins available with similar profitability.

Name(Tag)	Coin Ratio / MHS (24 h)	Mined in 24h	Power Cost ($)	Exchange Rate vs BTC	Profit
Zclassic(ZCL) Equihash	0,022822619	2,282261905	0,96	0,00079347	6,28
Musicoin(MUSIC) Ethash	1,728360714	172,8360714	0,96	0,00000968	7,73
Monero(XMR) CryptoNight	0,000541667	0,054166667	0,96	0,0302322	5,59
Expanse(EXP) Ethash	0,021144048	2,114404762	0,96	0,00074793	5,37
EthereumClassic(ETC) Ethash	0,004358333	0,435833333	0,96	0,00362517	5,36
Ethereum(ETH) Ethash	0,000191667	0,019166667	0,96	0,07792531	5,01
Ubiq(UBQ) Ethash	0,030233333	3,023333333	0,96	0,00047601	4,8
Zcash(ZEC) Equihash	0,000219048	0,021904762	0,96	0,06345618	4,6

Source: Own contribution of the Developer.

3.6.1 Future of mining

Over the next five years, the Developer expects mining to move into the direction of larger mining farms that benefit from economies of scale in infrastructure and capital expenditures. Mining will likely become a specialized trade that is centered in countries that actively develop renewable energy sources and have lower costs of electricity. As a result, mining will most likely resemble an oligopolistic market where a few mining pools may dominate the sector.

The Developer further expects that considerable improvements will be made to mining hardware developed over the next few years. As of today, some virtual currencies can still be mined with regular CPUs installed on home computers and laptops. In the future, more crypto currencies may try to limit ASIC and GPU mining in order to increase decentralization in the network. For coins like Ether, miners quickly employed GPUs in order to achieve better results. Mining with GPUs allows

miners to swiftly switch to mining the most profitable crypto currency at a given moment. In the future, more competitive algorithms may be created that may quickly determine which crypto currencies to dedicate processing power from GPUs.

3.6.2 Influence of the energy market

Since energy prices are paramount to the process of mining and the main cost factor over time, the Developer has conducted research to identify the best energy supply solution for its business. The European energy sector is a dynamic market that is influenced by many participants, including private and business customers, power plants, and governments, as well as the European Commission.

Little attention has been given to the consequences of market liberalization since 1998, and in particular, how it shifted the risk allocation. In a nutshell, whereas previously almost all the risks of different kinds were carried by the customers (or even by the state), the three EU Energy Packages have shifted the conventional energy generation risks onto power companies. Looking into the future, apart from selected investments in peaking stations, it is likely that only few new conventional power stations will be built, so the challenges relate to making the correct future decisions about the existing fleet.

The set of challenges shows how the operating environment is continuing to become more difficult for the power sector. Society has placed many different and changing requirements on it that it is difficult to provide the necessary consistency and stability for the industry to function efficiently and be financially positioned to make the investments required. The imperative of decarbonization is clear, and now that the main guidelines have been set, along with the ambitious intermediate target to achieve 40 percent decarbonization in 2030 vs. 1990 levels (i.e., a 20 percent reduction in a decade, as compared with the same reduction over three decades through 2020—and that was with the benefit of the closure of inefficient factories in Eastern Europe).

While the ambitions and goals of the EU Commission are clear, it is entirely unclear how these goals will be achieved. However, it seems obvious that low-carbon forms of energy generation are going to be favored over energy generation that is connected to high carbon emissions. It is to be expected that in the future, the European Commission will introduce additional taxes and regulations on energy forms with a higher carbon output. The Developer expects that new energy forms with low carbon emission will receive additional subsidies in the future which in turn will make this form of energy more expensive.

Therefore, the Developer has chosen to rely on eco-friendly forms of energy production. Since wind and solar power do not produce a steady supply of energy, biogas or hydro power are the remaining choices. In the biogas sector in most of Europe, energy production is heavily subsidized so that net prices range between 6 and 8 cents per kWh. In the hydro power sector, subsidies often ended between 2010 and 2014 so that producers, especially those with smaller power stations ranging from 100 to 1,000 kWh, now sell electricity produced at the current (non-subsidized) market price of around 3-5 Eurocents in Austria. This price level can easily compete with prices for electricity in Northern Europe and even China.
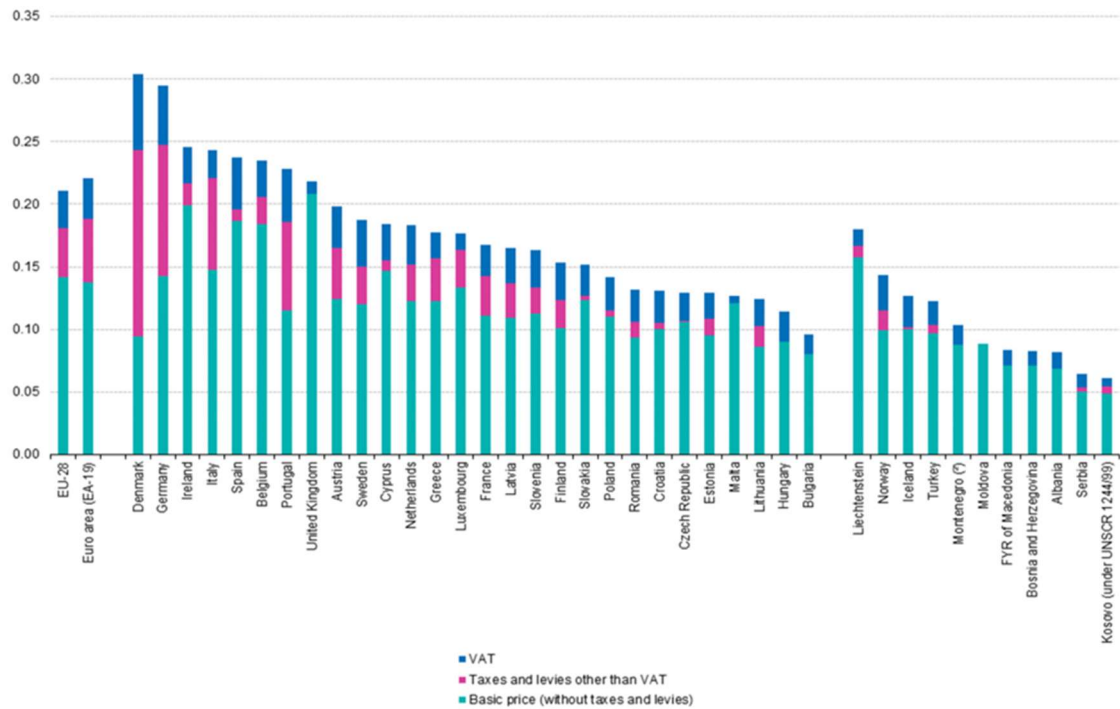
(¹) Annual consumption: 2 500 kWh < consumption < 5 000 kWh.
(²) Taxes and levies other than VAT are slightly negative and therefore the overall price is marginally lower than that shown by the bar.

Source: Own contribution of the Developer.

Over time, the Developer expects to see mining to vanish from all areas with higher electricity prices. In Europe, private mining rigs in Germany, France, Denmark, and the Netherlands will be the first to become unprofitable. Mining will probably next become unprofitable wherever miners have to bear the cost of electric power distribution. As a consequence, the best way to stay competitive is to avoid network costs and use inexpensive energy sources that are carbon friendly and have already exhausted any subsidies.

3.7   Developer's Technology

Hydrominer GesbR has built more than 20 mining facilities, from small in-house mining stations to large farms, mainly in power stations and containers. Almost all of the facilities are air-cooled and vary in size and output. Over time, the Developer has come to the conclusion that hydro power stations are ideal for crypto mining, because of the low electricity costs and because the readily available water or other low-cost sources can be used for cooling. The use of containers for the housing of mining hardware is a solution when it comes to flexibility, density and profitability, and can be implemented in most locations.

Another option for cooling is the use of the river's water by pumping it through copper tubes that run between rigs. This method enables the Developer to lower temperatures without the need for ventilation between the power station or the container and the outside air. With the copper tube method, the Developer only needs to ensure sufficient air movement within the facility.

In power stations, the main challenge is the stability of the power supply. Electricity output can vary between seasons or over the course of a season, but it can also vary substantially within just

minutes depending on weather, temperature, rainfall, and the actions of other hydro power stations or dam operators. In order to overcome these obstacles, the Developer has developed various systems to ensure a continuous operation. These systems range from Diesel-based USVs, over special contracts with power grid operators, to automated shutdown and sequential booting operations.

The Developer installs monitoring software to constantly monitor the status of the miners. Thus, the Developer can react instantly if a miner stops working. A team of two is constantly available and tours the facilities every week, checking on problems with hardware, cooling, and the power station itself. No power station currently is further away than two hours from the Developer's headquarters. In most power stations, there is also personnel available for smaller tasks if necessary.

The Developer's pricing structure is based on available power that can be used for mining. The Developer strives to ensure that the electricity is used most efficiently for the largest mining profit. To keep the facilities always at the highest level of profitability the Developer updates the hardware on a regular basis. Used equipment is sold online.

3.8 Future Opportunities

Using the proceeds of this Initial Token Offering, the Developer will equip more hydro power stations in the Alps with mining hardware. The Developer has several options for power stations. In Styria, for example, the Developer has an option to place containers of mining hardware on site of a hydro power station with an output of up to 12,000 kWh. Other smaller facilities are also available in southern Germany with a range from 500 kWh to 4,500 kWh. [12]

Total ITO Proceeds	Colocations[13]	Power (kWh)	$GH_{/s}$	$MH_{/w}$	Headcount
(current)	2	330	45.82	0.158	7
3,000 ETH	6	700	115.50	0.165	8
8,000 ETH	6	1,200	206.40	0.172	9
15,000 ETH	9	1,950	351.00	0.180	11
35,000 ETH	11	3,500	654.50	0.187	14
85,000 ETH	10[14]	25,500	7,768.50	0.187	16
165,000 ETH	12	52,000	9,932.00	0.191	20
250,000 ETH	14	80,000	15,360.00	0.192	25

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[12] Collocation expansion is not linear as we have already options with colocations with different power and space supply.

[13] Calculation includes increasingly better hardware with more output/watt.

[14] At this stage, we would move smaller collocations to a larger hydro station, therefore reducing the number of collocations.

4. THE H2O TOKEN

H2Os are Ethereum-based ERC20 tokens which serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region. As the Developer intends to use part of the Ether obtained in this Initial Token Offering to equip hydro power stations with mining hardware, this means that the H2Os cannot be used after the Initial Token Offering right away but only after these additional mining facilities ("**H2O Mining Facilities**") are operational. After completion of the H2O Mining Facilities, the Developer will accept the H2Os as vouchers from any Token Holder to utilize the mining power from these facilities.

One H2O will be exchangeable for 5 kWh of electricity to run the H2O Mining Facilities. The choice to exchange the H2Os for electricity rather than a particular hash rate was made deliberately. An exchange for hash rates seems obvious at first, however a certain hash rate today may have little value in a few months from now. Looking at the past performance of various mining operations, it turns out that due to an increase of the mining difficulty over time, locking in a hash rate in this Initial Token Offering would be an economic disadvantage for Participants.

In a first step, the H2Os will be exchangeable for two-year plans only, either mining Ether or Bitcoin. Each of these plans requires 5,000 kWh of electricity or 1,000 H2Os, respectively, over the entire 24-months term. However, the Developer intends to offer alternatives to these plans in the future, so that Token Holders can choose on the Developer's website among a variety of different offers:

(a) the type of mining hardware to be used for the Token Holder with an exact information on mining capabilities (hash rates per second) and exact electricity consumption rates per hour;

(b) the virtual currency to be mined for the Token Holder, e.g., Bitcoin, Ether, or any Altcoins that the Developer supports;

(c) the exact period of time that the mining hardware chosen will operate for the Token Holder;

(d) whether or not a Token Holder would like to participate in a mining pool and what mining pool the Token Holder prefers.

Depending on the exact mix of mining hardware, virtual currency to be mined and duration of the mining activity, each combination will require a different amount of electricity in kWh so that Token Holders may freely decide how to spend their H2Os. Also, the choice of mining hardware, mining pool and virtual currency to be mined, dictates the return on investment for each Token Holder using the H2O Mining Facilities. On a regular basis, the virtual currencies mined are transferred to the Token Holders.

The Developer will continue to replace old parts of the mining hardware with new technology. Over time, the Developer assumes that the same amount of electricity will mean an increased mining power (higher hash rate per second). Since the exchange ratio of 1 H2O = 5 kWh will remain constant, this means that—not taking into account an increase of difficulty—one H2O may increase in its value over time.

5. THE EXCHANGE PROCESS

In total, a fixed amount of 100 million H2Os (the "**Total Token Amount**") will be created by the Developer on the Token Creation Date. The Developer intends only to exchange up to 25 million H2Os (or 25 percent of the Total Token Amount) and has decided to introduce a staggered exchange scheme. This means that the fraction of Ether to be transferred in exchange for a single H2O ("**ETH Token Value**") in this Initial Token Offering will depend on when an Exchange Offer is made by a Participant. The ETH Token Value is used to calculate the ETH Exchange Amount that a Participant is required to transfer to the Collection Address in order to make a legally binding Exchange Offer:

− In the period starting on the Offer Start Date 12:00 CET and ending on 24 October 2017 24:00 CET ("**ITO Week 1**"), the ETH Token Value will be 0.0080 Ether;

− In the period starting on 25 October 2017 00:00 CET and ending on 31 October 2017 24:00 CET ("**ITO Week 2**"), the ETH Token Value will be 0.0085 Ether;

− In the period starting on 1 November 2017 00:00 CET and ending on 7 November 2017 24:00 CET ("**ITO Week 3**"), the ETH Token Value will be 0.0090 Ether;

− In the period starting on 8 November 2017 00:00 CET and ending on the Offer End Date, i.e., 14 November 2017 12:00 CET ("**ITO Week 4**"), the ETH Token Value will be 0.0095 Ether.

The remaining 75 million H2Os (or 75 percent of the Total Token Amount) will remain with the Developer. The same is true for any part of the 25 million H2Os offered for exchange that are not exchanged for Ether in this Initial Token Offering. All H2Os held by the Developer may be exchanged against other virtual currencies or sold for Euro or any other fiat currency at a later point in time. The Developer intends to exchange these H2Os for 0.01 Ether before H2Os are listed on any virtual currency exchange. However, the Developer reserves the right to exchange H2Os in the future at any marketable price.

There is no minimum amount of H2Os that an Exchange Offer must be made for. Also, there is no maximum number of H2Os an Exchange Offer can be made for by a single Participant. The Developer, however, reserves the right not to accept an Exchange Offer made.

5.1 Exchange of H2Os for Ether

In the course of this Initial Token Offering, the Developer will exchange a number of H2Os for Ether. Both H2Os and Ether are immaterial and movable assets (*unkörperliche und bewegliche Sachen*) in the sense of §§ 285, 292, 293 of the Austrian General Civil Code and are subject to property rights under Austrian law. H2Os qualify as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region. The exchange of H2Os against Ether in this Initial Token Offering is facilitated by entering into the Token Exchange Agreement as attached to this Token Offer Document as Schedule A.

The Token Exchange Agreement is a barter agreement (*Tauschvertrag*) in the sense of § 1045 of the Austrian General Civil Code. It is concluded between the Developer, as the party exchanging H2Os for Ether, and you, as Participant in the Initial Token Offering exchanging Ether for H2Os. For

details on how the Token Exchange Agreement is concluded, see chapter 5.2 "Conclusion of the Token Exchange Agreement".

Only Ether will be accepted in exchange for H2Os. No other virtual currency may be traded in for H2Os. Also, H2Os cannot be purchased from the Developer, therefore the Developer does not accept any form of fiat currency as purchase price for H2Os. If you would like to participate in this Initial Token Offering, you are required to make sure to convert any other virtual currency or fiat currency into Ether before being able to make an Exchange Offer. Also, you are required to make sure to know the correct ETH Address you are going to send Ether from as otherwise the exchange process will not work.

5.2   Conclusion of the Token Exchange Agreement

To participate in the Initial Token Offering, a person interested in obtaining H2Os must first submit an Exchange Request to the Developer. "**Exchange Request**" is a legally non-binding request from a person indicating (i) their general intent to obtain a certain amount of H2Os and (ii) the wish to be provided with an Exchange Offer from the Developer (as described below). An Exchange Request may be submitted to the Developer

(a) by using the online form provided by the Developer available on the Offer Website under www.hydrominer.org; or

(b) by filling in the Exchange Request Form attached to this Token Offer Document as Schedule B, and submitting this form electronically or via mail to the Developer.

In the Exchange Request, the person interested in obtaining H2Os states, among other things, the exact amount of H2Os he or she wishes to obtain as well as some personal information and contact details (for details see the Offer Website or the Exchange Request Form in Schedule B; the Developer reserves the right to request less information online than is requested in the Exchange Request Form). After having submitted an Exchange Request, the Developer will register this person as being interested in participating in this Initial Token Offering, hence such person is referred to as registered Participant.

All Exchange Requests must be submitted to the Developer in the period starting on the Offer Start Date, i.e., 18 October 2017 12:00 CET and ending on the Offer End Date, i.e., 14 November 2017 12:00 CET (the "**Offer Period**"). The Developer reserves the right to extend or contract the Offer Period if demand for the H2Os requires such course of action.

After the Developer has received a legally non-binding Exchange Request, it submits to the registered Participant an (also legally non-binding) invitation to make a legally binding offer to exchange Ether for H2Os to the Developer (the "**Offer Invitation**"). The Offer Invitation contains the following information:

(a) the H2O Exchange Amount, i.e., the amount of H2Os the registered Participant has stated in its legally non-binding Exchange Request;

(b) the ETH Exchange Amount, i.e., the amount of Ether or fraction thereof to be transferred to the Collection Address at that time in order to make an Exchange Offer.

After receiving an Offer Invitation, the registered Participant is invited to make a legally binding offer to exchange Ether for H2Os by transferring the ETH Exchange Amount of Ether stated in the Offer Invitation to the Collection Address (the "**Exchange Offer**"). Since the Developer employs a staggered exchange scheme, an Offer Invitation is only valid as a basis for an Exchange Offer that was made in the same ITO Week. If an Exchange Offer is made after the end of the period of one ITO Week then the Exchange Offer is made on the basis of the ETH Token Value valid in the current ITO Week, irrespective of the ETH Exchange Amount stated in the Offer Invitation.

Before the Participant can make such legally binding Exchange Offer to the Developer, he or she must confirm his or her agreement with the terms of the Token Exchange Agreement in Schedule A, as well as some other statements, by providing the Developer with the ETH Address the transfer of Ether will originate from. If the Participant is using the online form provided by the Developer on the Offer Website under www.hydrominer.org then this is made by entering the ETH Address into a specific field before the Exchange Offer has been made by the Participant.

By transferring the ETH Exchange Amount to the Collection Address, the registered Participant makes a legally binding offer to exchange the ETH Exchange Amount of Ether for the H2O Exchange Amount of H2Os, i.e., the amount of H2Os specified in the Offer Invitation. The Participant bears the costs (gas) of the Ethereum blockchain for the Exchange Offer. An Exchange Offer can only be made by transferring Ether to the Collection Address and not by any other means. The Developer strives to make a quick decision whether an Exchange Offer will be accepted, however, the Developer reserves the right to make a decision within one business day.

If the Participant has requested an Offer Invitation by filling in the Exchange Request Form attached to this Token Offer Document as Schedule B, and submitting this form electronically or via mail to the Developer, then this step is made either (a) by stating the ETH Address directly in the Exchange Request Form or (b) also on the Offer Website under www.hydrominer.org before the Exchange Offer was made.

After having confirmed to be bound to the terms of the Token Exchange Agreement as well as having confirmed some additional statements, the Participant is referred to as a verified Participant.

The Collection Address is managed by a smart contract on the Ethereum Blockchain (the "**ITO Smart Contract**"). The ITO Smart Contract also ensures that the Aggregate Exchange Proceeds (i.e., all amounts collected on the Collection Address) or parts thereof are only forwarded to the Developer if it has accepted an Exchange Offer by having delivered the H2Os to the verified Participant as described below.

If the Developer does not accept an Exchange Offer or if Ether were transferred to the ITO Smart Contract from an ETH Address not associated with a verified Participant, then the ITO Smart Contract will transfer back the ETH Exchange Amount to the ETH Address the transfer of Ether originated from. In such case, the Developer is obligated to bear the costs of the Ethereum blockchain

for the transfer. The Participant will receive the exact amount of Ether it has transferred to the Collection Address when making the Exchange Offer. The ITO Smart Contract safeguards that the Developer's Delivery obligation is fulfilled.

The Developer is under no legal obligation to accept any Exchange Offer made. If the Developer accepts an Exchange Offer, it will deliver the H2Os to the Participants as described below.

5.3   Delivery of the H2Os

Provided the Developer has accepted an Exchange Offer from a Participant—for which the Developer reserves the right to decide within one business day—, it will deliver the H2Os as soon as a Participant has been verified, i.e., as soon as the following conditions are fulfilled:

(a) the Participant has confirmed his or her agreement with the terms of the Token Exchange Agreement, in particular by using the online form provided by the Developer on the Offer Website under www.hydrominer.org;

(b) the Participant has made an Exchange Offer by transferring the ETH Exchange Amount to the Collection Address;

Delivery by the Developer is made promptly after all conditions are fulfilled and the Developer has decided to accept the Exchange Offer. Delivery is made by transferring the H2O Exchange Amount of H2Os to the ETH Address the verified Participant has transferred the ETH Exchange Amount of Ether from (the "**Delivery**"). In order to be able to access the H2Os once delivered, the Participant must use an Ethereum wallet software that supports ERC20 tokens natively.

6.   USE OF PROCEEDS

As of the date of this Token Offer Document, the exact amount of Ether obtained from Participants in the Initial Token Offering (the "**Total Exchange Amount**") is uncertain and depends on

(a) the final amount of H2Os exchanged for Ether in the Initial Token Offering; and

(b) when each Exchange Offer is made by a Participant since the ETH Token Value, i.e., the fraction of Ether to be transferred in exchange for a single H2O changes over time from 0.0080 Ether in the first week of the ITO to 0.0085 Ether in the second week, 0.0090 Ether in the third week and 0.0095 Ether in the final week of the ITO.

If all 25 million H2Os are exchanged in the first week of the Initial Token Offering, i.e., in the period starting on 18 October 2017 (12:00 CET) and ending on 14 November 2017 (12:00 CET), then the Total Exchange Amount would equal 200,000 Ether.

The Developer intends to mainly use the Total Exchange Amount for the purchase of new mining hardware (55 percent of the Total Exchange Amount), for payments associated with the expansion of the business into additional hydro power stations such as leasing costs, payments in connection with the mounting of new mining hardware in these new hydro power stations and power consumption for an initial period of twenty-four (24) months (15 percent of the Total Exchange Amount); additional operating expenses (also 15 percent of the Total Exchange Amount); and the costs of this Initial Token Offering (10 percent of the Total Exchange Amount). Also, ancillary costs in connection with this Initial Token Offering such as costs of marketing and fees of legal, tax and other advisors (5 percent of the Total Exchange Amount) are intended to be covered. One percent of the Total Exchange Amount will be used to purchase BNT and to create a Bancor token changer between BNTs and H20s.

Most of the Developer's expenses are to be paid in fiat currencies such as EUR or USD. The exact amount of Ether spent therefore not only depends on the amount of Ether obtained in this Initial Token Offering but also the EUR/ETH exchange rate when the Developer exchanges proceeds into fiat currency. The figures shown above are therefore only an estimate and may be lower or higher. Also because of these reasons, the Developer is under no legal obligation to use the proceeds exactly as described before. The Developer may at any time decide to use the Total Exchange Amount in other ways than described above.

7. RIGHTS OF THE PARTICIPANT

H2Os are not securities and do not carry with them any rights as may be commonly associated with securities. In particular, H2Os do not grant any rights with respect to corporate decision-making. Also, H2Os do not grant a right to dividends or any other sort of payment *vis-à-vis* the Developer. H2Os only serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region.

Rights of the Participant in this Initial Token Offering are limited to statutory and contractual rights, in particular to warranty rights (*Gewährleistung*) as provided for under § 922 of the Austrian General Civil Code and other rights such as contestation for error (*Irrtum*) under § 871 *legis citatae*. If the Participant is not a consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act, warranty rights are limited to the representations and warranties set out in the Token Exchange Agreement in <u>Schedule A</u>.

The following description of Austrian statutory warranty rights is intended to provide you with an overview of a Participant's warranty rights. Warranty rights under the Token Exchange Agreement may not be assigned or transferred to any third party. The following overview only concerns warranty rights in relation to this Initial Token Offering. Once the Participant or a Token Holder exchanges H2Os for mining time, the then formed contract between Participant or Token Holder, respectively, and the Developer is subject to different and/or additional statutory and contractual warranty rights.

The Developer warrants for any material and legal defects the H2Os may have.

— A material defect (*Sachmangel*) occurs in case the H2Os do not have the characteristics or functionality described in this Token Offer Document at the time of Delivery. In particular, the H2Os must be fit for the purpose specified in the Token Exchange Agreement and the use cases described in this Token Offer Document. A Participant could have warranty claims under the Token Exchange Agreement for material defects if, for example, the programming of the H2Os would not function as described in the Token Offer Document.

— A legal defect (*Rechtsmangel*) occurs if third parties could assert rights over the H2Os against the Participant, or if the Developer does not provide the Participant with the agreed legal position.

If the H2Os show a defect that was present at the Token Delivery Date, the Participant may, in a first step, claim that the H2Os may be repaired or replaced (*Verbesserung oder Austausch*) by the Developer. The Participant is entitled to choose between these two options of repair and replacement. The Developer is obligated to bear any necessary costs associated with the repair or replacement in such a case. If the Developer fails to repair a defect within a reasonable period of time or if it fails to replace defective H2Os, the Participant may withdraw from the Token Exchange Agreement or claim a reduction of the ETH Exchange Amount of Ether exchanged for H2Os. In the event of only a minor defect, a Participant may only claim a reduction of the ETH Exchange Amount.

8. RISK FACTORS

The following is a disclosure of principal risk factors which are considered to be material by the Developer in connection with the exchange of Ether for H2Os in this Initial Token Offering. Participants should consider these risk factors alongside all other information provided in this Token Offer Document and are advised to consult with their own professional advisers (including their financial, accounting, legal and tax advisers) before deciding to obtain H2Os. In addition, Participants should be aware that the risks described herein may combine and thus intensify one another.

The Developer believes that the following risk factors may affect its own business and the future market value of the H2Os. Most of these risk factors are contingencies which may or may not occur and the Developer is not in a position to predict the likelihood of such contingency occurring. If any of the following risks materializes, the market value of H2Os could be negatively affected and decline, hence a Participant could lose all or part of its investment.

If you decide to participate in this Initial Token Offering without proper consultation of tax, legal and economic advisors, taking into account your personal circumstances, you might not be able to fully assess the tax, legal and economic impact a participation in this ITO could have on you.

Insufficient or faulty consultation can lead to unintended or unforeseen tax, legal and economic consequences. The absence of advice from experts such as financial advisors, lawyers and tax consultants can have detrimental consequences for a Participant in this ITO. Prospective Participants should carefully consider the following risks together with their expert advisers before deciding whether a participation in the Initial Token Offering is suitable for them or not. The Developer is not liable for a loss of the Participant in connection with erroneous or insufficient consultation or advice provided by third parties.

The exchange of virtual currencies (H2Os / Ether) without taking into account the individual circumstances and the financial situation of the Participant might have negative consequences. The decision to obtain H2Os should take into account the individual knowledge of the Participant. Only freely available capital should be used for a participation in this Initial Token Offering as a total loss cannot be excluded.

H2Os do not provide any rights to the Participant or Token Holders; in particular, the Participant or Token Holder does not have a right to dividend payments, payments of capital, or any right associated with corporate decision-making. The Participants are limited to warranty and other statutory rights; Token Holders not having participated in this ITO do not have warranty rights against the Developer.

H2Os are not securities and do not carry with them any rights as may be commonly associated with securities. In particular, H2Os do not grant any rights with respect to corporate decision-making. Also, H2Os do not grant a right to payments of capital or dividends or any other sort of payment *vis-à-vis* the Developer. Rights of the Participant in this Initial Token Offering are limited to contractual rights based on the Token Exchange Agreement, and statutory rights pursuant to Austrian law, in particular to warranty rights as provided for under § 922 of the Austrian General Civil Code, and other statutory rights. These rights are based on the conclusion of the Token Exchange Agreement between the Developer and the Participant but are not associated with the H2Os themselves. The

Developer stresses that it assumes statutory warranty obligations only *vis-à-vis* a Participant, i.e., not *vis-à-vis* Token Holders that have obtained H2Os on the secondary market after the Initial Token Offering.

H2Os are Ethereum-based tokens which serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware. If the Developer were to cease its business operation, there would be no third parties accepting H2Os in exchange for goods or services. For the use of the H2Os you are therefore dependent on the Developer's continuing operation.

H2Os are Ethereum-based ERC20 tokens which serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region. After completion of the construction of new H2O Mining Facilities, the Developer will accept the H20s as vouchers from any Token Holder to utilize the mining power from these facilities. One H2O will be exchangeable for 5 kWh of electricity to run the H2O Mining Facilities.

However, there are no third parties that also accept H2Os in exchange for goods or services. If, for whatever reason, the Developer were to cease its business operation, there would be no third parties accepting H2Os in exchange for any goods or services. The continued operation of the Developer is therefore a necessary prerequisite for you to be able to exchange H2Os for mining services.

The Developer is a company that is in continuing competition to other similar companies around the world. Many of the risk factors described in this Token Offer Document have the potential to severely impede the ability of the Developer to conduct its business profitably. However, as with any other business, continued profitability is a prerequisite for the Developer to be able to continue offering its services to Token Holders. In the long term, the income of the Developer is largely dependent on factors that are outside of its influence, such as, in particular, technological advances regarding mining technology, global competition, changes to the protocols of blockchains that can negatively affect the Developer.

Any of the risks described herein has the potential to severely impede the Developer's ability to expand its business operation as projected or to even continue its business and may therefore have a severe negative influence on the market value of the H2Os. Since there is no third party accepting H2Os, the Developer's continued ability to conduct its business profitably is therefore also a key factor regarding the market value of the H2Os. Any failure of the Developer to conduct its business successfully may have a severe negative influence on the market value of the H2Os. If the Developer were to cease its operation, it is likely that the H2O would lose all of its value.

If the Ethereum platform switches from a Proof of Work concept to a Proof of Stake concept, Ether mining would stop in its current form; if the Proof of Stake concept were to be introduced to other blockchains as well, the whole business model of mining in its current form could end.

Mining is the process of validating transactions on a blockchain. By finding complex solutions in hash functions, miners proof to the network of a blockchain that they have invested work. This concept is therefore also called Proof of Work (PoW). PoW currently requires massive amounts of calculation power. Currently, a switch to other methods of verifying transactions is being discussed. In particular

regarding the Ethereum blockchain, a switch to a so called Proof of Stake model (PoS) is in discussion. With PoS, virtual miners known as validators would commit Ether to the system when mining with the understanding that they would forfeit their deposits if they were not to follow the consensus rules (e.g., if they were to validate corrupt transaction requests). The Ethereum community is divided on the matter. A shift to PoS would make energy-intense mining hardware useless. If Ethereum and/or other blockchains were to switch to a mining system that would no longer require powerful mining hardware, the whole industry of mining could be rendered pointless. Any single virtual currency switching to a PoS mining method could severely impede the Developer's ability to expand or even continue its business operation and therefore have a severe negative influence on the market value of the H2Os.

With its business model, the Developer is dependent on its ability to purchase electricity from power stations at the source and at the currently low market price of approx. 3-5 Eurocent per kWh. If the market price were to rise, or if the Austrian regulator were to provide subsidies for hydro power plants, the cost structure of the Developer could lead to losses and the discontinuation of providing mining services to Token Holders.

With its business model, the Developer is directly influenced by the Austrian Green Electricity Act 2012 (*Ökostromgesetz 2012*) and the tariffs set out in the Green Electricity Tariff Regulation (*Ökostrom-Einspeisetarif-Verordnung*). Hydro power plants produce renewable energy and it should be noted that the Austrian market for renewable energy is regulated to a large extent by law. The relevant Green Electricity Act 2012 and the Green Electricity Tariff Regulation pose a number of risks for the Developer.

The Developer's business model is based on its ability to purchase electricity not from suppliers over the general electricity network but directly from hydro power plants at the current market price of approx. 3-5 Eurocents. Risks arise in connection with the Austrian system of subsidizing renewable energy.

The central contracting party for the feed-in of renewable energy is the green electricity handling agency (*Ökostromabwicklungsstelle*). In accordance with existing contracting obligations, the agency has to contract the electricity generated by renewable energy sources such as hydro power plants. The subsidized tariff which is paid for the energy generated is defined in the current Green Electricity Tariff Regulation. Generally speaking a subsidized tariff is much higher than the regular free market price of currently 3-5 Eurocent.

If a contract has been concluded for a certain tariff, the tariff is generally applicable for a period of 13 years from the date of the conclusion of the contract or from the date of the start of the grant if this date is later. After this period of time, generally no subsidized tariff is paid. If, in the future, the Austrian legislator were to apply additional funds for existing hydro power stations where the Developer has deployed mining hardware, the hydro power plant could be able to sell the electricity generated for the subsidized price.

If this were the case, or if the free market price for electricity in Austria were to rise substantially by market forces, the business model of the Developer could be rendered unsustainable. This, in turn could have a negative impact on the Developer's ability to offer mining services for Token Holders and may therefore negatively affect the market value of the H2Os.

The Developer is a company in formation without any assets. The shareholders of the Developer are identical to the partners in the predecessor-company Hydrominer GesbR. The assets of Hydrominer GesbR will not be transferred to Hydrominer GmbH i.Gr.

Only on 16 October 2017, the constitutional shareholder meeting for the establishment of the Developer took place where necessary corporate documents have been signed and filed with the competent court in Vienna, Austria. As at the date of this Token Offer Document, the Developer was still in the process of being established.

Pursuant to Austrian law, a limited liability company (*Gesellschaft mit beschränkter Haftung*) such as the Developer is created as an independent legal entity only with its entry into the company register. It is only with this registration that the company acquires full legal personality. The entry into the company register is thus a constitutive act. If, for whatever reason, the Developer fails to be registered in the Austrian company register, this would prevent it from realizing any of the goals described in this Token Offer Document.

Also, since the Developer is established as a new company, it does not possess any assets at the time of its incorporation into the Austrian company register with the exception of mandatory minimum share capital. In particular, this is true for the hydro power stations Hydro 1 and Hydro 2.

The market has seen a number of new virtual currencies and tokens come into existence in the last years. The H2O competes against other tokens that are issued alongside the H2Os.

Currently, many different virtual currencies and tokens are coexisting alongside one another and the creation of many new coins and tokens is expected for the next years. Some of these virtual currencies and tokens are much more successful than others and possess more market potential. There is a risk that a virtual currency or token is under pressure because of the success of another popular virtual currency and therefore loses some or all of its market value. This risk also applies to the H2Os. This, in turn, may have a severe negative influence on the market value of the H2Os.

The amount of Ether received in this ITO will be a main source of income for the Developer's future business operations. In the past, Ether has experienced high market value fluctuations. If the market value for Ether drops, this might negatively influence the Developers business.

In this Initial Token Offering, the Developer exchanges H2Os for Ether. Ether is a virtual currency that has historically been subject to high market value fluctuations. The future exchange rates for Ether cannot reliably be predicted. The Developer intends to use the proceeds of this Initial Token Offering as a main source for the establishment of additional mining farms in hydro power plants. At the moment, it is unclear when exactly the Developer will exchange Ether obtained in this ITO against fiat currency or whether certain portions of Ether will be stored on the ITO Smart Contract.

Should the Developer decide to store certain portions of Ether on the ITO Smart Contract and should the market value of Ether subsequently drop significantly, this could have a material negative impact on the financial situation of the Developer. This, in turn, could severely impede the Developer's ability to expand its business operation as projected and therefore have a severe negative influence on the market value of the H2Os.

Future regulation on virtual currencies or tokens in Austria may have a negative impact on the Developer and the H2Os. Burdensome regulation might have a significant negative impact on the market value of the H2Os.

Currently, under Austrian law there are no licensing, registration or concessionary requirements for the production, custody, trading and/or sale of virtual currencies such as the H2Os. However, on the EU-level as well as in certain countries, governments have already started to adapt legislation and regulate virtual currencies and tokens. Even if virtual currencies and tokens are not subject to limiting regulation today, the legal regime in Austria may change and Austria may in future also regulate virtual currencies and tokens restrictively.

In this context, one should be aware of the proposals currently discussed on the EU-level to regulate virtual currencies—in particular the proposals to amend Directive 2015/849/EU for the prevention of money laundering and financing of terrorism. The proposed changes include stricter requirements for the trade with virtual currencies such as increased transparency, due diligence, and more competences for public authorities. It is therefore likely that in the near future (in the years 2018 or 2019), regulations for virtual currencies will enter into force, both on the EU-level and in Austria. However, in which form virtual currencies will be regulated is currently unclear.

If a licensing, registration or concessionary requirement is imposed on the Developer, the Developer will strive to obtain such a license, registration or concession. However, it is possible that the Developer cannot fulfil certain requirements in time or may not receive the necessary approval at all. In this case, the Developer might have to limit or even cease its business operations. Furthermore, legal or regulatory changes might lead to complaints, claims, obligations or other legal burdens that affect the financial situation of the Developer in a negative way. There is a remote possibility that the Austrian or European legislator might decide to declare illegal the trade of virtual currencies or tokens such as the H2Os.

All these risks may have a significant negative impact on the ability of the Developer to continue its business operation and therefore also have a significant negative impact on the market value of the H2Os.

If you are resident in a country or territory that has declared the trade with virtual currencies or tokens or the participation in an Initial Token Offering to be illegal, you may face administrative or criminal charges when participating in this ITO.

The Initial Token Offering is only made in such territories where the Initial Token Offering as described in this Token Offer Document is not prohibited by law or regulation (Target Markets). The Developer has used its best efforts to inform you in this Initial Token Offering about certain restrictions that apply in certain jurisdiction such as Bangladesh, Bolivia, Canada, China, Ecuador, Germany, India, Japan, Kyrgyz Republic, Lithuania, South Korea, Switzerland, United States of America.

However, the Developer is not able to describe the legal situation of this Initial Token Offering with regard to all possible jurisdictions. It is therefore your responsibility to consult with local legal, tax and other advisers to find out whether the participation in this Initial Token Offering constitutes a

breach of law or regulation under your jurisdiction. Violation of applicable laws or regulation may result in administrative or even criminal charges.

The H2Os are not yet listed on a virtual currency exchange. A low liquidity on such exchanges or legal restrictions imposed on the tradability of the H2Os could have a material negative impact on the market value of the H2Os and your ability to trade H2Os.

This Initial Token Offering is intended as the means for bringing H2Os to the Participants. As described above, H2Os are not securities and do not carry with them any rights such as the right to a payment of dividends or capital. H2Os serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region. The Developer also intends to have H2Os listed in one or more virtual currency exchanges. As of the date of this Token Offer Document, however, the H2Os are not listed on any exchanges yet.

Should legal restrictions be imposed on the tradability of the H2Os on such exchanges or should the Developer fail to have the H2Os listed on a virtual currency exchange at all, then H2Os could only be used as vouchers to be redeemed with the Developer as described in the Token Offer Document.

Virtual currency exchange platforms are usually not state controlled and their continuous operation cannot be guaranteed by the Developer. The market value of the H2Os may not develop as expected. Also, H2Os are not subject to deposit guarantees.

The Developer intends to have H2Os listed on one or more virtual currency exchanges. However, the market of the H2Os might not develop and evolve as planed and supply and demand for the H2Os might be limited. In this case, the Participants might not be able to sell their H2Os to third parties if they do not wish to use them as vouchers to be redeemed with the Developer in exchange for the use of mining hardware as described in this Token Offer Document.

Also, exchange platforms for virtual currencies or tokens might cease to operate. There is no legal protection, deposit guarantee or protection for Participants, when an exchange platform ceases its operation. If the exchange platform has managed the private keys of the Participant or Token Holder, there might be no way to retrieve H2Os.

As there is yet no clear legal regulation and institution supervising virtual currencies or tokens, there is also no deposit guarantee as banks provide for savings deposits. Exchange platforms are not banks who need to be prepared for certain risks. Capital adequacy regulations such as the European Capital Requirements Directive IV or the Capital Requirements Regulation are not applicable to virtual currency exchanges, increasing the risk of insolvency of a virtual currency exchange.

The volatility of virtual currencies and tokens makes it very difficult to provide a reliable forecast for the development of the exchange rate of the H2Os, even considering the known factors determining the price. It is not possible to foresee the economic and technical development of virtual currencies and tokens in the future. Historic developments are not a sufficient indicator for forecasts. The Developer stresses that it does not provide any forecast of the development of the H2Os.

These risks may have a significant negative impact on the market value of the H2Os.

Virtual currencies and tokens are very volatile and the market value of a given virtual currency or token can swing dramatically. Such fluctuations may also be noticeable with regard to the H2Os.

The H2Os have been developed by the Developer without the involvement of a bank and are not issued by a central bank or another public authority. The supply of H2Os is limited and is not being monitored by any public authority, is not bound to a traditional currency, and market value and price stability are not secure. The market of virtual currencies or tokens is influenced by supply and demand. Fluctuations of the exchange rates are interesting to speculators but may impede the acceptance of virtual currencies or tokens for other purposes. This is also one of the reasons, why virtual currencies and tokens are not considered a safe investment in comparison to usual investments. This insecurity needs to be taken into account when deciding to participate in this Initial Token Offering. Also, the H2Os may experience heavy exchange rate fluctuations. This might lead to losses for Participants who have obtained H2Os at the fixed ETH Exchange Rate set by the Developer.

There are no institutions like central banks that back the system of virtual currencies or tokens in times of crises. In times of crises, the market value of virtual currencies or tokens such as the H2Os may therefore significantly decrease.

An institution supervising and controlling the economy for virtual currencies or tokens does not exist. Therefore, it is currently not possible for state institutions to influence the exchange rate of virtual currencies or tokens. Stability and control mechanisms which are normally at the disposal of central banks, are not available in this context. In the case of economic recession or a drop of the exchange rate of a virtual currency or token such as the H2Os, there is no possibility to apply counter measures. Therefore, in times of crises, the lack of institutional control could result in enormous economic damage as virtual currencies or tokens lose value. Usually states support banks in times of crises and prevent the monetary system from failing. This is not the case with respect to virtual currencies or tokens such as the H2Os. This may have a significant negative impact on the market value of the H2Os.

The Developer is exchanging only 25 percent of the total supply of H2Os for Ether in this Initial Token Offering. 75 percent of the total supply therefore remains with the Developer. Should the Developer decide to trade large portions of its own holdings of H2Os, this could have a severe negative impact on the market value of the H2Os.

In total, a fixed amount of 100 million H2Os (Total Token Amount) will be created by the Developer on the Token Creation Date. The Developer intends only to exchange 25 million H2Os (or 25 percent of the Total Token Amount) in this Initial Token Offering for Ether. The remaining 75 million H2Os (or 75 percent of the Total Token Amount) will remain with the Developer and may be exchanged for other virtual currencies or sold for Euro or any other fiat currency at a later point in time at any marketable price. Should the Developer decide to offer for large portions of its own holdings of H2Os after the Initial Token Offering, this could have a severe negative impact on the market value of the H2Os.

The Developer uses the Ethereum blockchain technology for the H2Os. The H2Os are therefore de-pendent on the future continuation of this blockchain. Also, Ethereum is a young technology. A possible hacking attack cannot be ruled out. A discontinuation of Ethereum could lead to a severe drop of the market value or even discontinuation of the H2Os as a whole.

The H2Os are designed as a decentralized ERC20 token on the Ethereum blockchain. The H2Os are therefore dependent on the future continuation of the Ethereum blockchain. The Ethereum block-chain has already come to its limits in the past. It is unclear, whether the Ethereum blockchain will continue to be operated by the community in the future.

Hackers may target the Ethereum blockchain. The attacks of these hackers may be difficult to trace and the damage of the individual Token Holder would likely have to be borne by themselves. Usually, insurance companies will not offer insurance for these risks. Furthermore, it is unclear if ex-change platforms fulfil reasonable safety standards which are necessary to defend against attacks. Thieves may try to steal the private keys associated with H2Os and try to get user data by using malware. It is it likely that more attacks will occur as virtual currencies and tokens gain popularity.

Virtual currencies, tokens and the blockchain technology are still in its initial stage. Software appli-cations that may be used in connection with the H2Os may not have been developed for the mass market and may technically be not well adapted. No superior institution is correcting errors that occur when trading with virtual currencies or tokens. If problems arise in this context, H2Os might be lost for the Participant.

A discontinuation of the Ethereum blockchain or technical difficulties such as software bugs could lead to a severe drop of the market value or discontinuation of the H2Os as a whole.

Also, legally non-binding statements of governments and public authorities can have a strong influ-ence on the market value of tokens such as the H2Os.

Alarming statements of governments and public authorities like the banking regulator or supervisor can heavily influence exchange rates of any virtual currency or token. In this context, it is unclear how banks will react to the increasing popularity of virtual currencies or tokens. Banks and public authorities may be open to the concept, however, it is possible that banks and public authorities articulate that they are in favour of a strict regulation and supervision by an authority. Any such statements by governments and public authorities (even if they are only opinions and not legally binding) have the potential to significantly influence the market value of virtual currencies or tokens such as the H2Os.

H2Os are stored on the Ethereum blockchain which uses private keys to validate transactions. If a Participant or Token Holder loses their private keys, they might not be able to access H2Os in the future. If a Participant or Token Holder makes a transfer by accident, they might not be able to get a refund.

An institution like a bank or another public authority that is responsible for the safekeeping of vir-tual currencies such as H2Os does currently not exist. H2Os are stored on the Ethereum blockchain which uses private keys to validate transactions. If you lose your private keys, you might not be able

to access your H2Os in the future. In such a case, there may be no possibility to compensate for damages. Also, in the field of virtual currencies, there is no possibility to get a refund for transactions made by accident. This may lead to an increased risk of losses, when a transaction is sent to the wrong recipient. In many cases it will be impossible to undo a wrong transaction. The anonymity of the parties involved makes it very difficult to contact the counterparty if an amount of H2Os was transferred to the wrong party mistakenly.

Initial Token Offering

of up to 25 million Ethereum-based "H2O" tokens

TOKEN EXCHANGE AGREEMENT

This Token Exchange Agreement (the "**Agreement**") is concluded by and between Hydrominer GmbH i.Gr., a limited liability company in formation (*in Gründung*) pursuant to Austrian laws, yet to be registered with the Commercial Court of Vienna, Austria, having its registered seat at Wiedner Hauptstraße 65, 1040 Vienna, Austria, as the party exchanging H2Os for Ether (the "**Developer**") and you as participant in the Initial Token Offering exchanging Ether for H2Os (the "**Participant**"). Both parties to this agreement are collectively referred to as the "**Parties**" and individually as a "**Party**".

1.   DEFINITIONS AND INTERPRETATION

1.1   For the purpose of this Agreement, the terms and expressions defined shall have the meaning ascribed to them below, unless the context or use clearly indicates a different meaning or intent:

"**Aggregate Exchange Proceeds**" means the total amount of all ETH Exchange Amounts of Ether transferred to the Collection Address from verified Participants in the Offer Period.

"**CET**" means the time zone used in Austria.

"**Collection Address**" means the address on the Ethereum blockchain where all ETH Exchange Amounts of Ether are collected in the Offer Period.

"**Consumer Rights Directive**" means Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights, amending Council Directive 93/13/EEC and Directive 1999/44/EC of the European Parliament and of the Council and repealing Council Directive 85/577/EEC and Directive 97/7/EC of the European Parliament and of the Council.

"**Delivery**" means the transfer of the H2O Exchange Amount of H2Os on the Token Delivery Date to the ETH Address that the Participant has transferred the ETH Exchange Amount of Ether from.

"**Developer**" means Hydrominer GmbH i.Gr., a limited liability company in formation (*in Gründung*) pursuant to Austrian laws, yet to be registered with the Commercial Court of Vienna, having its registered seat at Wiedner Hauptstraße 65, 1040 Vienna, Austria.

"**ETH Address**" means an identifier of alphanumeric characters that represents a possible destination for a transfer of Ether on the Ethereum blockchain.

"**ETH Token Value**" means the fraction of Ether to be transferred in exchange for a single H2O; the ETH Token Value changes in the Offer Period and equals 0.0080 Ether in ITO Week 1; 0.0085 Ether in ITO Week 2; 0.0090 Ether in ITO Week 3 and 0.0095 Ether in ITO Week 4.

"**ETH Exchange Amount**" means the amount of Ether or fractions thereof to be transferred to the Collection Address by a Participant in order to make an Exchange Offer.

"**Exchange Offer**" means a legally binding offer from a verified Participant to exchange Ether for H2Os by transferring the ETH Exchange Amount of Ether stated in the Offer Invitation to the Collection Address.

"**Exchange Request**" means a request made by the Participant to be provided with an Offer Invitation by the Developer regarding a certain number of H2Os.

"**H2Os**" means the Ethereum-based tokens as described in the Token Offer Document which serve as vouchers to be redeemed with the Developer in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region.

"**H2O Exchange Amount**" means the amount of H2Os the Participant would like to obtain in the Initial Token Offering.

"**ITO Week 1**" means the period starting on the Offer Start Date (12:00 CET) and ending on 24 October 2017 (24:00 CET).

"**ITO Week 2**" means the period starting on 25 October 2017 (00:00 CET) and ending on 31 October 2017 (24:00 CET).

"**ITO Week 3**" means the period starting on 1 November 2017 (00:00 CET) and ending on 7 November 2017 (24:00 CET).

"**ITO Week 4**" means the period starting on 8 November 2017 (00:00 CET) and ending on the Offer End Date (12:00 CET).

"**Offer End Date**" means the last day of the Offer Period, i.e., 14 November 2017 12:00 CET.

"**Offer Invitation**" means a legally non-binding invitation from the Developer to the Participant to make a legally binding Exchange Offer.

"**Offer Period**" means the period starting on the Offer Start Date (12:00 CET) and ending on the Offer End Date (12:00 CET); in the Offer Period, the Developer may be provided with Exchange Requests and Exchange Offers by Participants.

"**Offer Start Date**" means the first day of the Offer Period, i.e., 18 October 2017 12:00 CET.

"**Offer Website**" means the website www.hydrominer.org.

"**Participant**" means you.

"**Private Key**" means an alphanumeric value that is required to transfer Ether from one ETH Address to another ETH Address.

"**Reporting Date**" means every 15 November of a calendar year for a period of three consecutive years after the Initial Token Offering, starting on 15 November 2018 and ending on 16 October 2020.

"**Target Markets**" means such territories where the Initial Token Offering as described in the Token Offer Document is not prohibited by law or regulation.

"**Token Delivery Date**" means the date when Delivery of the bartered H2Os takes place.

"**Token Offer Document**" means the latest version of the document describing the H2Os and the Initial Token Offering which was published in electronic form under www.hydrominer.org.

1.2 Unless a contrary indication appears, any reference in this Agreement to

(i) any Party shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

(ii) the term "person" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) or two or more of the foregoing;

(iii) the term "regulation" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organization;

(iv) the term "including" shall not be interpreted as limiting to;

(v) the term "token" shall mean a voucher for the use of obtaining goods or services from parties accepting such vouchers;

(vi) a provision of law is a reference to that provision as amended or re-enacted; and

(vii) a time of day is a reference to Vienna time.

1.3 Clause and schedule headings are for ease of reference only and references to clauses and schedules are references to the clauses and schedules of this Agreement.

2. CONCLUSION OF THIS AGREEMENT

2.1 In the Offer Period, the Participant shall submit to the Developer an Exchange Request, specifying the exact H2O Exchange Amount of H2Os. The Exchange Request is a legally non-binding general inquiry (*unverbindliche Anfrage*) by the Participant.

2.2 The Developer shall then submit to the Participant an Offer Invitation, specifying therein the ETH Exchange Amount of Ether in relation to the H2O Exchange Amount of H2Os specified in the Exchange Request. The Offer Invitation also is a legally non-binding invitation to make an offer (*Einladung zur Anbotslegung*).

2.3   The Participant shall then make an Exchange Offer by transferring the ETH Exchange Amount of Ether stated in the Offer Invitation to the Collection Address. The Exchange Offer is an offer (*Anbot*) legally binding the Participant to the terms of this Agreement.

2.4   The ETH Exchange Amount of Ether stated in the Offer Invitation is only valid if the Exchange Offer is made in the same ITO Week (ITO Week 1, ITO Week 2, ITO Week 3, ITO Week 4) the Exchange Request was made by the Participant. If an Exchange Offer is made in a later ITO Week then the Exchange Offer is made on the basis of the ETH Token Value in the ITO Week the Exchange Offer is made, irrespective of the ETH Exchange Amount stated in the Offer Invitation.

2.5   The Participant's Exchange Offer is accepted by the Developer, and therefore the Agreement is finally concluded, through fulfilment by Delivery of the H2O Exchange Amount of H2Os to the Participant (*Vertragschluss durch Erfüllung*). Only after Delivery, the Developer shall be bound to the terms of this Agreement.

3.   NO RIGHT OF WITHDRAWAL

3.1   The Participant shall not have a right of withdrawal, neither statutory nor contractual.

3.2   Articles 9 to 15 of the Consumer Rights Directive as implemented by § 11 of the Austrian federal law on distance and off-premises sales (*Fern- und Auswärtsgeschäfte-Gesetz*) provide for the right of a consumer to withdraw from a distance or off-premises contract. This Agreement is excepted from the right of withdrawal since it concerns the supply of goods for which the price is dependent on fluctuations in the financial market which cannot be controlled by the Developer and which may occur within the withdrawal period (cf. Article 16 litera (b) of the Consumer Rights Directive; § 18 para (1) item 2 of the Austrian federal law on distance and off-premises sales).

3.3   In addition, the exception of Article 16 litera (m) of the Consumer Rights Directive and § 18 para (1) item 11 of the Austrian federal law on distance and off-premises sales applies since this Agreement concerns the supply of digital content in the sense of the Directive which is not supplied on a tangible medium and the Participant's prior express consent and acknowledgment that he or she thereby loses his right of withdrawal will be obtained when making an Exchange Offer. As soon as the Exchange Offer has been made, the Developer will provide the Participant with an email confirmation relating to such prior express consent and acknowledgment as well as to the legally binding Exchange Offer itself.

4.   BARTER CLAUSE

4.1   Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of the Participant as set out herein, the Developer agrees to barter (*tauschen*) in the sense of § 1045 of the Austrian General Civil Code and to deliver to the Participant the H2O Exchange Amount of H2Os; and the Participant, in return, subject to the terms and conditions of this Agreement and in reliance on the representations and warranties of the Developer as set out herein, agrees to barter (*tauschen*) in the sense of § 1045 of the Austrian General Civil Code and to deliver to the Developer the ETH Exchange Amount of Ether.

4.2 The Participant declares to accept the H2O Exchange Amount of H2Os as consideration for the ETH Exchange Amount of Ether bartered, and the Developer declares to accept the ETH Exchange Amount of Ether as consideration for the H2O Exchange Amount of H2Os bartered. Both parties declare that after due consideration of all material aspects, the H2O Exchange Amount of H2Os is of equal value to the ETH Exchange Amount of Ether.

5. CALCULATION OF THE ETH EXCHANGE AMOUNT

5.1 The ETH Exchange Amount of Ether to be transferred to the Collection Address by the Participant which is provided in the Offer Invitation shall be calculated by the Developer by multiplying the H2O Exchange Amount stated in the Exchange Request with the ETH Token Value.

5.2 The ETH Token Value changes in the Offer Period and equals 0.0080 Ether in ITO Week 1; 0.0085 Ether in ITO Week 2; 0.0090 Ether in ITO Week 3 and 0.0095 Ether in ITO Week 4.

6. DELIVERY OF THE H2OS

After a Participant has made a binding Exchange Offer, the H2O Exchange Amount of H2Os shall, as quickly as reasonably possible, but in any case within one business day, be delivered by the Developer to the ETH Address the Participant has transferred the ETH Exchange Amount of Ether from.

7. RIGHTS ASSOCIATED WITH THE H2OS

7.1 The Participant acknowledges that there are no rights whatsoever associated with the H2Os. In particular, the H2Os do not purport any rights as commonly associated with securities (such as shareholder or information rights). H2Os only serve as vouchers to be redeemed with the Developer as described in the Token Offer Document in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region.

7.2 Rights of the Participant are only derived from this Agreement and statutory Austrian law. Rights derived from this Agreement are (a) the right to Delivery if the Developer decides to accept an Exchange Offer, and (b) rights in connection with the representations and warranties made by the Developer.

7.3 If the Participant is not a consumer (*Konsument*) in the sense of the Austrian Consumer Protection Act (*Konsumentenschutzgesetz*), the Participant waives any and all statutory warranty rights and agrees to be limited to the contractual warranty rights set out hereinafter.

8. LISTING OF THE H2OS

The Developer undertakes to have the H2Os listed on one or more virtual currency exchanges such as Bittrex, Poloniex or Kraken within twelve (12) months after the Offer End Date.

9. USE OF THE AGGREGATE EXCHANGE PROCEEDS

9.1 The Developer shall, at all times, keep any unused Aggregate Exchange Proceeds on one or more ETH Addresses separated from other Ether in its possession. The Developer shall therefore ensure that the Aggregate Exchange Proceeds are not mingled with other amounts of Ether the Developer has control over.

9.2   The Developer shall have the right to exchange the Aggregate Exchange Proceeds, or any portion thereof, into any virtual currency or into fiat money of any type, at any time and at any exchange rate reasonably achievable at the time of such exchange.

9.3   The Developer shall have the right to apply the Aggregate Exchange Proceeds or any substitute amount pursuant to clause 9.2 towards any purpose in compliance with the goals of the Developer as set out in the Token Offer Document.

9.4   The Developer shall make available on its website on every Reporting Date an overview of activities it has conducted in the past twelve (12) months in respect of actions taken pursuant to clause 9.3 above.

10.   REPRESENTATIONS AND WARRANTIES

10.1   The Participant makes the representations and warranties set out in this clause (10.1.1 to 10.1.7) to the Developer on the date of this Agreement and on the Token Delivery Date.

10.1.1 The Participant is participating in this Initial Token Offering for its own account and is not resident (or does not have a seat) in a jurisdiction outside of the Target Markets.

10.1.2 The material obligations under this Agreement expressed to be assumed by the Participant are legally binding, valid and enforceable against it.

10.1.3 The entry into this Agreement and performance by the Participant do not and will not conflict with (i) any law or regulation or (ii) its constitutional documents (if applicable).

10.1.4 The Participant has the power to enter into, perform and deliver, and has taken all necessary action to authorize its entry into, performance and delivery of this Agreement and the transactions contemplated by this Agreement.

10.1.5 The Participant is in possession of the Private Key of the ETH Address the Delivery of the H2Os shall be made to.

10.1.6 The choice of Austrian law as the governing law of this Agreement as well as the choice of Austria as place of jurisdiction will be recognized and enforced in the jurisdiction of the Participant, except in case the Participant is consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act.

10.1.7 Any judgment obtained in Austria will be recognized in the jurisdiction of the Participant, except in case the Participant is consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act.

10.2   In addition to statutory warranty obligations (§ 922 of the Austrian General Civil Code; if not waived under clause 7.3), the Developer makes the representations and warranties set out in this clause (10.2.1 to 10.2.4) to the Participant on the date of this Agreement and on the Token Delivery Date.

10.2.1 The H2Os qualify as 'digital content' in the sense of Article 2 para (11) of the Consumer Rights Directive and, as such, qualify as immaterial and movable assets (*unkörperliche und bewegliche Sachen*) in the sense of §§ 285, 292, 293 of the Austrian General Civil Code and are subject to property rights under Austrian law; the Developer makes no representations or warranties as to other jurisdictions.

10.2.2 The Participant will obtain legal competence (*Rechtszuständigkeit*) under Austrian law over the amount of H2Os delivered after this Agreement has been concluded; the Developer makes no representations or warranties as to other jurisdictions.

10.2.3 Any factual information provided by the Developer in the Token Offer Document is true, complete and accurate in all material respects as at the date of the Token Offer Document or as at the date (if any) at which it is stated.

10.3 The Developer will accept H2O tokens in exchange for the use of mining hardware powered by hydro power stations in the Austrian Alps region exactly as described in the Token Offer Document.

11. MISCELLANEOUS

11.1 If the Participant is not a consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act, the Participant waives its right to contestation of the contract for *laesio enormis* (*Verkürzung über die Hälfte*).

11.2 The Participant may not assign any of its rights or transfer any of its rights or obligations under this Agreement, including, but not limited to statutory or contractual warranty rights. This clause does not affect the H2Os themselves. H2Os may be traded freely on a virtual currency exchange, or otherwise, at any time.

11.3 Any communication to the Developer will be effective only when actually received by the Developer and then only if it was sent via mail to the physical address of the Developer. Any communication or notice given under or in connection with this Agreement must be in German or English language.

11.4 This Agreement is the entire agreement and understanding between the Parties with respect to the exchange of the H2O Exchange Amount of H2Os for the ETH Exchange Amount of Ether and supersedes all prior written or oral commitments, arrangements or understandings between the Parties with respect thereto.

11.5 Should one or more of the provisions or any part of a provision of this Agreement be or become void, illegal or unenforceable, then the validity, legality or non-enforceability of the remaining provisions of this Agreement shall not be affected thereby and the Parties shall use reasonable efforts to agree upon a new provision which shall, as nearly as possible, have the same commercial effect, meaning and spirit as the ineffective provision and to the purpose of this Agreement. To the extent permitted by applicable law, each Party waives any provision of law which renders any provision of this Agreement invalid, illegal or unenforceable in any respect. This clause 11.5 is not applicable in case the Participant is consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act.

11.6 This Agreement and any non-contractual obligations arising out of or in relation to this Agreement shall be governed by and construed in all respects in accordance with Austrian law, excluding the Austrian conflict of laws rules.

11.7   If the Participant is not a consumer in the sense of the Consumer Rights Directive or the Austrian Consumer Protection Act, then all disputes arising out of this Agreement or related to its violation, termination or nullity, shall be brought before the competent court in corporate matters (*Handelsgericht*) in Vienna, Austria.

SCHEDULE B – EXCHANGE REQUEST FORM

To:
Hydrominer GmbH i.Gr.
Wiedner Hauptstraße 65
1040 Vienna
AUSTRIA

Email: info@hydrominer.org

Terms used in this Exchange Request have the meaning ascribed to them in the Token Offer Document available under www.hydrominer.org.

_____	_____	_____
Academic Title	Full Name	Date of Birth
_____	_____	_____
Address	ZIP Code	Place
_____	_____	_____
Country	Telephone	E-Mail

ETH Address the transfer of the ETH Exchange Amount will be made from

I confirm that I have read and understood the Token Offer Document carefully.

I confirm that I have read and understood the Token Exchange Agreement carefully and accept it.

I hereby agree that H2Os will be transferred immediately after conclusion of the Token Exchange Agreement before the end of the withdrawal period.

I hereby approve and acknowledge that I have no right of withdrawal to rescind the Token Exchange Agreement once I have made the Exchange Offer as (i) the price of the H2Os to be obtained is dependent on fluctuations in the financial market which cannot be controlled by the Developer and may occur within the withdrawal period and (ii) H2Os are considered digital content which is not supplied on a tangible medium.

I herewith make a non-binding Exchange Request as defined in the Token Offer Document for the following amount of H2Os.

_____
Amount of H2Os

_____   _____
Place / Date   Signature

NAMES AND ADDRESSES

Developer

![Hydrominer logo]

Hydrominer GmbH i.Gr. i.Gr., ID yet to be issued
Wiedner Hauptstraße 65, 1040 Vienna, Austria

Legal Advisor to the Developer

STADLER VÖLKEL
RECHTSANWÄLTE · ATTORNEYS AT LAW

Stadler Völkel Rechtsanwälte GmbH, FN 426839 f
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