

ASX Release

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Company Announcements
Australian Securities Exchange Limited
20 Bridge Street
Sydney, NSW 2000

FIRSTFOLIO SIGNS HEADS OF AGREEMENT TO RAISE \$57.6 MILLION

Further to our ASX announcement of 13 November 2012, the directors of Firstfolio Limited (ASX: FFF) are pleased to announce that a binding Heads of Agreement with Australian Capital Enterprise Pty Limited has been signed, to raise approximately A\$57.6 million (the "Transaction") on terms set out below.

- Australian Capital Enterprise will take an Initial Placement of approximately 116.1 million shares at an issue price of 1.5 cents (\$0.015) per share to raise approximately \$1.7 million;
- Firstfolio will conduct a 1:1 renounceable rights issue at a price of 1 cent (\$0.01) per share to raise approximately \$8.9 million, which will be fully underwritten by Australian Capital Enterprise; and
- Australian Capital Enterprise will take a Second Placement of approximately 1.3 billion shares at an issue price of 3.5 cents (\$0.035) per share to raise \$47.0 million.

The Heads of Agreement, and therefore the implementation of the Transaction, is subject to satisfying a number of conditions precedent. Further details of the material conditions precedent are set out below.

Shares issued to Australian Capital Enterprise under the Initial Placement will be able to participate in the renounceable rights issue, however, shares issued under the Second Placement will not be able to participate in the renounceable rights issue. Following the equity issues Australian Capital Enterprise will hold between 50.4% of Firstfolio's issued capital (assuming Australian Capital Enterprise subscribes under the renounceable rights issue in respect of shares issued under the Initial Placement) and 75.2% of Firstfolio's issued capital depending on the level of take up of rights by existing shareholders or third parties under the renounceable rights issue.

Approvals and Timetable

As Australian Capital Enterprise will hold more than 20% voting power in Firstfolio as a result of the Transaction, the Transaction is subject to the approval of Firstfolio shareholders at an extraordinary general meeting ("EGM"), which is expected to occur in or around mid to late April 2013. A Notice of Meeting for the EGM is expected to be sent out to shareholders by mid to late March 2013.

The Initial Placement will be made within 5 business days following the EGM.

The 1:1 renounceable rights issue will be undertaken within 10 business days following the Initial Placement and will be fully underwritten by Australian Capital Enterprise.

The Second Placement will be completed within 10 business days of the closing of the renounceable rights issue.

Heads of Agreement

The implementation of the Transaction is subject to the satisfaction of a number of conditions precedent including, but not limited to, the following material conditions precedent:

- Firstfolio and Australian Capital Enterprise entering into a subscription agreement in respect of the Initial Placement and Second Placement and an underwriting agreement in respect of Australian Capital Enterprise underwriting the renounceable rights issue;
- The Firstfolio Board agrees to unanimously support the EGM resolutions, in the absence of a superior proposal;
- Australian Capital Enterprise entering into agreements with sub-underwriters for the renounceable rights issue for up to \$5 million;
- The completion of an independent expert's report as to whether the Transaction is fair and reasonable for Firstfolio shareholders;
- Australian Capital Enterprise receiving formal approval from its financiers to execute all required transaction documents for the Transaction; and
- Consent being obtained from Firstfolio's major debt capital providers, as well as other third parties, to the change of control, in accordance with existing contractual arrangements.

Under the terms of the Heads of Agreement, and following completion of the Transaction, a minimum of three existing directors of Firstfolio will resign and be replaced by Australian Capital Enterprise nominees and the board will consist of five members in total.

Australian Capital Enterprise is a special purpose company established to hold the investment in Firstfolio Limited. Australian Capital Enterprise has approval for funding, subject to satisfaction of the conditions precedent in the Heads of Agreement, from a US and Korean Investment Group with more than sufficient means to complete the transaction. Australian Capital Enterprise has disclosed details of their proposed financiers to the Board of Firstfolio. More details of future plans for the business will be provided in documents required for the EGM.

A break fee of \$300,000 will be payable by Firstfolio if the directors of Firstfolio fail to recommend the Transaction or call an EGM to approve the Transaction within 90 days of the date of the Heads of Agreement (subject to certain conditions). If the proposed Transaction fails to proceed only due to another competing proposal that is announced within 180 days of signing the Heads of Agreement a break fee will also be payable by Firstfolio of \$600,000. The maximum break fee payable is \$600,000. Firstfolio has also granted an exclusivity period to Australian Capital Enterprise in order to satisfy the conditions precedent and complete the Transaction.

Dustine Pang
Company Secretary

About Firstfolio Limited

Firstfolio Limited is a mortgages and financial services distribution business, listed on the Australian Securities Exchange under ASX code: FFF. The company offers a diversified range of mortgage solutions, across the full cycle of the loan, through its national network of mortgage brokers, affiliates and related-industry partners, and eChoice – Australia's leading online mortgage brand.

The majority of the company's income is derived from the residential mortgages sector, where it offers aggregation, wholesale lending and management services to a national network of brokers, partner firms and home loan consumers. Firstfolio also offers property-related and financial service solutions including equipment finance, real estate leasing bonds, fee funding, property investment, professional services and insurance.

Loans under management (LUM) have grown to \$20 billion since the Firstfolio brand was founded in 2006 – making it one of Australia's largest independent platforms for the delivery of financial products and services. It has secure lines of funding through a range of wholesale lenders including ING, Advantedge and Adelaide Bank.

Firstfolio aims to generate long-term earnings growth by continuing to develop the largest independent distribution platform in Australia and expanding its range of products and services, including life insurance, mortgage protection, asset finance and financial planning.