



First Growth Funds Limited
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27 November 2017

ASX Market Announcements
ASX Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

Attention: Andrew Kabega

First Growth Funds Limited (“FGF”): ASX Query Letter

We refer to your letter of 21 November 2017 as **attached** which was issued to FGF following the suspension of FGF from official quotation by ASX on 16 November 2017.

FGF is pleased to provide the following information in respect to the ASX Query Letter (adopting the numbering in that Letter):

Q1.

No.

Q2.

Not applicable.

Q3.

FGF received a price query letter issued by ASX on 31 October 2017 and responded to this on the same day. At that time FGF had no price sensitive information which had not been disclosed to the market.

In FGF’s response on 31 October 2017, FGF noted that other ASX listed companies with a particular focus in Blockchain, Digital Assets and crypto currency had recently had an increase in volume and share price.

Given the recent issue of the price query letter by ASX, the FGF board determined that it would be prudent to advise the market once its review of possible investment opportunities in the emerging markets of blockchain technology, conversion of energy to currency and the use of crypto currencies had either further progressed or been abandoned. The FGF board was also cognisant of the fact that there had been an increased volume of its securities traded as well as an increase in its share price and that it was important to ensure that the market was trading on an informed basis.

Against the background of the ASX price query, once FGF entered a non-disclosure and non-circumvention agreement on 15 November 2017 with the party it had progressing negotiations with and it appeared that negotiations may rapidly progress, the FGF board believed it was a prudent and cautious approach to release the announcement of 16 November 2017. As at 16 November 2017 no term sheet had been entered and there was no further information that could be disclosed at that time regarding these negotiations. Further details regarding these negotiations are set out below in response to Questions 4 and 5.

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Q4.

While FGF believes that confidentiality has been maintained in respect of the negotiations mentioned below until the point of release of the announcement titled 'Binding Term Sheet signed for investment & development of digital currency exchange', FGF provides the following information in response to question 4 of the Letter.

(a)

The reference to negotiations having moved to an advanced stage in the 16 November 2017 announcement (**November Announcement**) was a reference to discussions and negotiations between FGF and Heuresy LLC. The nature of the transaction being negotiated was in respect of an investment by FGF into an entity which was proposing to establish a new digital asset exchange, undertake an initial coin offering and provide related technologies.

(b)

The negotiations were with Heuresy LLC.

(c)

On 15 November 2017 FGF and Heuresy LLC entered a non-disclosure and non-circumvention agreement and were intending to progress their discussions regarding the above proposed transaction quite rapidly.

FGF is pleased to advise that those discussions have proven fruitful and on 22 November 2017 FGF and Heuresy LLC entered a binding Term Sheet with respect to the investment by FGF into new entities to be jointly owned by FGF and Heuresy LLC with the anticipated offerings of:

- design, development and implementation of a new digital currency exchange;
- an initial coin offering (ICO);
- security solutions for the developed coin and other third party electronic currencies; and
- consultancy services regarding ICOs.

Please refer to FGF's announcement of today's date regarding this term sheet for further detail.

Q5.

While FGF believes that confidentiality has been maintained in respect of the negotiations mentioned below notwithstanding this response, FGF provides the following information in response to question 5 of the Letter.

(a)

The reference to a further related opportunity in cybersecurity having been identified in the November Announcement was a reference to discussions and negotiations between FGF and a third party regarding the possible licensing of authentication technology for use in conjunction with the digital currency exchange proposed to be implemented by the entity in which FGF intends to invest (see question 4 for further details).

(b)

Heuresy LLC has signed a mutual non-disclosure agreement with the third party regarding these negotiations.

(c)

FGF recently met with representatives of the third party in North America regarding the potential transaction as noted above. Discussions are proceeding positively and the parties are in the process of negotiating formal documents in this regard. At this stage no formal or binding agreements have been entered between the parties and FGF will keep the market apprised of developments in this regard as required pursuant to its continuous disclosure obligations.

6.

(a)

The proposed subsidiaries will be incorporated in St Kitts and Nevis. The coin exchange is presently anticipated to be located in and operated from the jurisdiction of St Kitts and Nevis. It may be that various components of the exchange (ie servers) are located across multiple jurisdictions. It is intended that the ICO will be offered from the jurisdiction of St Kitts and Nevis. The intention is to deliver a program, exchange and offering that conforms to each individual jurisdictions' currency and securities laws in which the coins may be traded.

(b)

N/A, however FGF confirms that it is aware of ASIC Information Sheet 225.

(c)

FGF has had preliminary discussions with third parties regarding the applicable regulatory requirements of St Kitts and Nevis to any crypto currency exchange located in that jurisdiction. FGF has not to date taken formal legal advice in this regard given that discussions have only now resulted to a Term Sheet being entered. Given the Term Sheet has now been entered, FGF intends to obtain all appropriate legal advice so as to ensure that the coin exchange (if developed) could be lawfully operated in that jurisdiction and also to ensure that any such exchange has the necessary structure, policy, procedures and personnel to ensure its lawful operation. FGF is cognisant of the need to ensure that any digital currency exchange it invests in is fully compliant with all legal and regulatory requirements that apply to it.

On the basis of the preliminary discussions with third parties that FGF has had and having regard to the background and credentials of the founding shareholder and director of Heuresy LLC (see announcement of today's date) the board was of the view that it was appropriate to enter the Term Sheet with Heuresy LLC and commit to funding US\$250,000 in this new venture and that this was in the best interests of the company and its shareholders.

FGF notes that it has also made investments of higher amounts in other developing companies, (Cloud Lumen and Pearl Global – investments of AUD\$350,000 each) where it is hopeful of realising a return on these investments following exit events.

7.

Yes, FGF is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

8.

The above responses have been authorised and approved by the FGF board.

Yours sincerely

Geoff Barnes
Chairman

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21 November 2017

Ms Julie Edwards
Company Secretary
First Growth Funds Limited
Level 5, 56 Pitt Street
Sydney NSW 2000

By email: juliee@lowell.net.au

Dear Ms Edwards,

First Growth Funds Limited ("FGF"): ASX Query Letter

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

- A. FGF's announcement entitled "*Company Update*" lodged on the ASX Market Announcements Platform ("MAP") and released at 12:02pm on 4 September 2017 (the "September Announcement"), disclosing amongst other things that:

*"Management have been very actively recently reviewing possible transactions for FGF. The board has actively reviewed several deals in the emerging markets of **blockchain technology**, conversion of **energy to currency** and the use of **crypto currencies** to fund these initiatives. Furthermore, we are reviewing possible transactions in traditional sectors of technology and resources"*

- B. The significant increase in FGF's securities in the two and a half months following the release of the September Announcement, from a closing price of \$0.005 on 1 September 2017, to a high of \$0.022 on 10 November 2017. We also note the significant increase in the volume of FGF's securities traded over that period.

- C. FGF's announcement entitled "*Subsidiary established for Digital Currency Investments*" lodged on MAP and released at 1:08pm on 16 November 2017 (the "November Announcement") disclosing that:

*"First Growth Funds Limited (ASX FGF, and the Company) refers to its announcement dated 4 September 2017 and provides the following update regarding its review of **blockchain technology**, conversion of **energy to currency** and the use of **crypto currencies** to fund these initiatives.*

*The company is pleased to announce that it has established a 100% wholly own subsidiary "**ICO-N Pty Ltd**". The purpose for the establishment of this subsidiary will be for a direct investment into a **crypto currency exchange** and **blockchain technology**.*

*The company would also like to advise that during a recent trip to North America negotiations have moved to an advanced stage, and a further related opportunity in **cybersecurity** has also been identified."*

- D. The significant increase in the price of FGF's securities from a close of \$0.015 on 15 November 2017 to a close of \$0.022 on 16 November 2017, which represents a 46.67% increase in price. We also note a significant increase in the volume of FGF's securities traded on 16 November 2017.

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E. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

G. Listing Rule 3.1B, which provides:

"If ASX considers that there is or is likely to be a false market in an entity's securities and asks the entity to give it information to correct or prevent a false market, the entity must immediately give ASX that information."

H. ASX's policy position on what is an incomplete proposal or negotiation which is detailed in section 5.4 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*, as follows:

"This category of information is excluded from disclosure because of the prejudice it could cause to an entity and its security holders if it was effectively required to develop its corporate proposals and conduct its commercial negotiations in public. It is also excluded because of the propensity of markets to overreact in the short term to information that an entity may be contemplating a market sensitive transaction, even where the likelihood of the transaction proceeding is low or unclear."

I. ASX's policy position on what are matters of supposition or that are insufficiently definite to warrant disclosure which is detailed in section 5.5 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*, as follows:

"This category of information is excluded from disclosure because of its propensity to misinform or mislead the market. ... In some cases, information in this category may be so uncertain or indefinite that it is not in fact market sensitive and therefore not required to be disclosed under Listing Rule 3.1, regardless of whether it falls within the carve-outs from disclosure in Listing Rule 3.1A."

J. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*, as follows:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule”

- K. ASX’s policy position with regards to the “*Guidelines on the contents of announcements under Listing Rule 3.1*” which is detailed in section 4.15 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*, as follows:

“Wherever possible, an announcement under Listing Rule 3.1 should contain sufficient detail for investors or their professional advisers to understand its ramifications and to assess its impact on the price or value of the entity’s securities.”

- L. ASX’s policy position on “*correcting or preventing false markets*”, which is detailed in section 6.2 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*, as follows:

“To correct or prevent a false market, ASX may require an entity to disclose market sensitive information, even if the entity considers that the information falls within Listing Rule 3.1A and therefore does not require immediate disclosure under Listing Rule 3.1. It may also require an entity to disclose information that of itself is not market sensitive and therefore not required to be disclosed under Listing Rule 3.1 (eg, to correct a false rumour that the entity is about to enter into a market sensitive transaction when it is not).”

- M. The concerns expressed by ASX in item 5 of its Listed@ASX Compliance Update dated 30 October 2017 (available online at http://www.asx.com.au/resources/newsletters/listed_at_asx/listed-at-asx-20171030_0917.html), which is extracted below:

5. Bitcoin and ICO listings

ASX has also noticed an increase in the number of enquiries it is receiving about the prospects of listing a business investing in, or making initial coin offerings (“ICOs”) of, bitcoins or other crypto-currencies. Again these enquiries are coming from both IPO applicants and existing listed entities contemplating a back-door listing transaction.

These businesses raise significant legal, regulatory and public policy issues. Their regulatory status in a number of overseas jurisdictions is subject to considerable uncertainty and rapid change. For example, ICOs have recently been ruled to be securities under US law and therefore are only able to be offered in the US in compliance with their securities laws. ICOs have been banned altogether in China and South Korea. In Australia, Japan, Canada and elsewhere changes are being made to regulate crypto-currencies under anti-money laundering legislation and this could materially affect their value over time.

ASIC has recently published guidance on the legal obligations to which issuers of ICOs may be subject in Australia and warned consumers of the potential risks of investing in ICOs, including the potential for these products to be scams (see [ASIC Information Sheet 225](#)).

An applicant seeking to list a business investing in, or making ICOs of, bitcoins or other crypto-currencies will need to satisfy ASX that its business is bona fide, that it has a structure and operations that are appropriate for a listed entity (see section 4 above), that it will comply with all applicable legal requirements in Australia and in all jurisdictions where it is proposes to carry on business, and that proper disclosure has been made to investors of the risks (including emerging regulatory risks) involved.

Having regard to the above, ASX is concerned that the September and November Announcements together have potentially created a false market in FGF's securities and therefore asks FGF to respond separately to each of the following questions and requests for information:

1. Does FGF consider the information in the November Announcement in relation to the establishment of a subsidiary the purpose of which will be for a direct investment in a crypto currency exchange and blockchain technology to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is "yes", please advise the basis for that view.
3. If the answer to question 1 is "no", please explain why FGF released the November Announcement.
4. In relation to the statement in the November Announcement that "*The company would also like to advise that during a recent trip to North America negotiations have moved to an advanced stage*":
 - (a) What is the nature of the transaction being negotiated?
 - (b) With whom are the negotiations being held?
 - (c) At what stage are the negotiations up to?

In relation to these questions, ASX would note that FGF has chosen to comment publicly on what would appear to be incomplete negotiations and therefore can no longer maintain that they are confidential. Further, the material movement in FGF's share price following the November Announcement would also suggest that this information may no longer be confidential.

5. In relation to the statement in the November Announcement that "*a further related opportunity in cybersecurity has also been identified*":
 - (a) What is the nature of the opportunity?
 - (b) Has FGF commenced negotiations to progress the opportunity?
 - (c) If it has, at what stage are those negotiations up to?

Again, in relation to these questions, ASX would note that FGF has chosen to comment publicly on what would appear to be either an incomplete negotiation or a matter of supposition and therefore can no longer maintain that the opportunity is confidential. Further, the material movement in FGF's share price following the November Announcement would also suggest that this information may no longer be confidential

6. In relation to the statement in the November Announcement that FGF has established a wholly owned subsidiary to make direct investments in "*a crypto currency exchange and blockchain technology*":
 - (a) In what jurisdiction or jurisdictions is FGF intending to invest in a crypto currency exchange?
 - (b) If that jurisdiction is or includes Australia, is FGF aware of the ASIC Information Sheet 225 and has FGF taken legal advice on the requirements any crypto currency exchange in which it invests would need to meet to operate lawfully in Australia?
 - (c) If that jurisdiction is or includes some other country, has FGF taken legal advice on the requirements any crypto currency exchange in which it invests would need to meet to operate lawfully in that country?

7. Please confirm that FGF is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

8. Please confirm that FGF's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of FGF with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the close of trading (**i.e. before 4:00p.m. AEDT on Friday, 24 November 2017.**

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, FGF's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at andrew.kabega@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to FGF's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that FGF's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

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

Yours sincerely,

(sent electronically without signature)

Andrew Kabega
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