

6 October 2015

## ASX ANNOUNCEMENT

### First Growth Funds Limited to acquire Public-Democracy Pty Ltd

- **Public-Democracy platform is an innovative and technologically advanced method of communication and engagement between politicians and their constituents.**
- **Public-Democracy empowers constituency to influence outcomes by providing tools to trial policies, product and content.**
- **Co-Founders Gary Davis and Eric Gyors have extensive experience and relationships in the political arena with planned rollout in USA beginning early January 2016.**
- **With a number of potential candidates in the pipeline for early revenue, the strategy in place is to grow the USA client base.**

**Sydney, Australia, 6 October 2015:** First Growth Funds Limited (ASX:FGF) (**FGF or Company**), an Australian-based listed investment company, announces it has entered into a binding Terms Sheet to acquire 100% of Public-Democracy Pty Ltd (**Public-Democracy or PD**) (**Acquisition**).

Public-Democracy has developed a scalable platform for infinitely large numbers of participants to give attitudinal and behavioural feedback on content. The platform instantaneously produces a report of every participant's engagement in any location across the Net. This 'instantaneous reporting' allows for a new form of dynamic decision making by politicians, community leaders and advocates. Public-Democracy's platform has created a '**new democracy**' for political, social, cultural and commercial referenda.

Public-Democracy' is currently finalising prototypes of both its platform and applications for mobile and installed devices, with first release due January 2016. The platform and its applications will be free for consumers to download, use, provide opinion, and share in order to engage social networks and communities of interest. This is the next phase of Internet engagement. Attitude and opinion with an immediate metric for advocacy, lobbying, product trialing, and horizontal and vertical planning. The future of this 'Big Data' information is only now beginning to be realised.

Ten years ago, Public-Democracy co-founders Gary Davis and Eric Gyors established a new second screen interactive engagement platform for television viewers called iPowow! This is now used extensively across the USA and Australia.

Mr Geoff Barnes, Chairman of First Growth Funds, said: “We are delighted to announce our planned acquisition of 100% of Public-Democracy, which will facilitate its public listing, and add value for our existing shareholders.”

Mr Gary Davis, Co-Founder of Public-Democracy, said: “We are very pleased to announce our agreement with FGF allowing us to pursue the near term opportunities we have with governments, political parties, and advocacy organisations in Australia, and around the world.

Constituency engagement is falling all around the world as individuals and communities express frustration at not being heard or consulted. Percentages of ‘informal’ voting have increased significantly over the past years, and there has been no effective way to instantly gauge community attitude to proposed policy and planning.

“We’ve created a platform that empowers both participants and decision makers to come to a far better liaison on policy. Communities of interest will have real power to create change with substantiated metrics, and leaders will be able to respond in real time to dynamic attitude and opinion.”

“With access to a data base of more than 110 million in the USA, and over ten years of longitudinal data, it is proposed that customers in the enterprise sector will pay per user for a message to be distributed, and additionally for sophisticated reporting on attitudinal and behavioural feedback. “

“For individual users, free publishing of opinions, free participation to engage with content, free sharing of opinions and results, will support a frenzy of viral engagement on any range of issues. New social networks will form out of communities of interest coming together on issues and change! This is a ‘New Media’ of attitude and opinion“

Following its listing on the ASX (through the completion of the acquisition of Public-Democracy by the Company), the Company will look to meet the challenge of rapidly deploying its system to its potential customer base in the USA.

Public-Democracy is in discussion with several groups to provide policy trialing, voter satisfaction polls, and a project and campaign contribution structure, with political organisations both domestically and internationally.

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## Key Acquisition Terms

Set out below is a summary of the material terms and conditions of the Term Sheet:

- a) **(Consideration)**: the consideration payable to the shareholders of PD by the Company in respect of the Acquisition is:
- i. 1,500,000,000 fully paid ordinary shares in the capital of the Company (**Consideration Shares**) to the shareholders of PD; and
  - ii. 750,000,000 options to acquire one fully paid ordinary share in the capital of the Company (**Consideration Options**) to the shareholders of PD at an exercise price of 2 cents expiring on 17 February 2018 (having the same terms as FGF's listed FGFOA options); and
  - iii. 500,000,000 fully paid ordinary shares in the capital of the Company (**Performance Shares**) to the shareholders of PD; and
  - iv. 250,000,000 options (**Performance Options**) to the shareholders of PD at an exercise price of 2 cents expiring on 17 February 2018

All on a pre-consolidation basis

The terms of the:

- Performance Shares will provide that they convert automatically to ordinary shares (with the same terms as FGF's then listed ordinary shares);
- Performance Options will provide that they vest and convert automatically to options with the same terms as FGF's listed FGFOA options,

upon achievement of the Milestone.

The "**Milestone**" is the Company securing and announcing to ASX that it has secured \$5 million in revenue within 24 months after Completion ("the Milestone").

The Consideration Shares, Consideration Options, Performance Shares and Performance Options to be issued to pay the Purchase Price will be allocated pro-rata among the shareholders of PD.

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b) (**Exclusivity Fees**): exclusivity fees will be paid on the terms set as below:

- i. FGF will pay an exclusivity fee of two hundred and forty thousand dollars (\$240,000) to PD within one day of this Terms Sheet being executed and exchanged by all parties (**First Exclusivity Fee**).

The First Exclusivity Fee is non-refundable but:

- a) will be refundable by PD to the Company in the event PD or vendor breaches the Terms Sheet or the Formal Documentation; or
  - b) PD will repay \$90,000 (being the portion of the First Exclusivity Fee paid by the Company for application to software development costs) if the Transaction is not completed for any other reason.
- ii. FGF will pay an exclusivity fee of one hundred thousand dollars (\$100,000) to PD in accordance with PD's implementation and operation of the US Structure (**Second Exclusivity Fee**).

The Second Exclusivity Fee is non-refundable but:

- a) will be refundable by PD to the Company in the event PD or vendor breaches the Terms Sheet or the Formal Documentation; or
  - b) Any of the Second Conditions Precedent which were to be satisfied by the Vendors or the Company, and which were satisfied, are no longer satisfied.
- iii. FGF will pay an exclusivity fee of one hundred thousand dollars (\$100,000) to PD if completion has not occurred before 1 December 2015 (**Third Exclusivity Fee**).

Payment of the Third Exclusivity Fee is subject to the Second Conditions Precedent remaining satisfied.

The Third Exclusivity Fee is non-refundable but:

- a) will be refundable by PD to the Company in the event PD or vendor breaches the Terms Sheet or the Formal Documentation; or
  - b) Any of the Second Conditions Precedent which were to be satisfied by the Vendors or the Company, and which were satisfied, are no longer satisfied (unless waived).
- c) (**Conditions Precedent**): settlement of the Acquisition is conditional upon the satisfaction or waiver of the following conditions precedent:
- i. completion of due diligence by the Company and PD in respect of one another's business and operations;
  - ii. Receipt by the Company of evidence satisfactory to it of:

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- i. the unencumbered ownership of the PD Intellectual Property by the Company; and
  - ii. the entry by the Company and PDI into the agreement granting the exclusive licence of the PD Intellectual Property in the USA to the Company's proposed USA entity including that the licence taking effect at Completion, and which are otherwise reasonably acceptable to the Company (having regard to the nature of the proposed US Structure and its implementation);
  - iii. The entry by the Company through a proposed US Structure and Eleison into the Eleison Agreement on terms consistent with this Terms Sheet including that the assignment takes effect upon payment of USD\$175,000 to Eleison at Completion, and which are otherwise reasonably acceptable to FGF (having regard to the nature of the proposed US Structure and its implementation);
  - iv. FGF paying the First Exclusivity Fee to PD as detailed above in Exclusivity Fees.
  - v. FGF paying the Second Exclusivity Fee PD as detailed above in Exclusivity Fees.
  - vi. ASX approving the terms of the Performance Shares and Performance Options under ASX Listing Rules 6.1 and 6.2;
  - vii. ASX granting a waiver of the ASX Listing Rules to permit the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules to occur despite the price of Shares being less than \$0.20 per Share (being a price of no less than \$0.02 per Share);
  - viii. the conditional approval by ASX to reinstate the Company's securities to trading on ASX (after the Company re-complies with Chapters 1 and 2 of the ASX Listing Rules) and those conditions being to the reasonable satisfaction of the Company and PD; and
  - ix. to issue 750 million FGFOA options to clients of Melbourne Capital Limited [ACN 055 638 438] at an issue price of \$0.0001 (0.01 cents) each to raise \$75,000 by way of a placement ("the Option placement"); and
  - x. the Company undertaking a capital raising to raise not less than \$1,500,000 from clients of Melbourne Capital Limited; and
  - xi. the Company disposing of any shares or other investment instruments issued by Bluefish Technologies Pty Ltd [ACN 082 545 711] held by it or any right to receive further shares or other investment instruments in or of Bluefish Technologies Pty Ltd ("the Bluefish Investment") and obtaining releases of the security interests registered on the Personal Properties Securities Register, or dealing with the Bluefish Investment and securities interests as otherwise agreed between the Company and PD.
  - xii. the Company and PD receiving all shareholder and regulatory approvals required to complete the Acquisition; and

The Term Sheet otherwise contains terms, conditions and restrictions which are customary for an agreement of its nature.

## Listing Rule Re-Compliance and Placement

Since the Acquisition will result in a significant change to the nature and scale of the Company's activities, it will require the shareholder approval under ASX Listing Rule 11.1.2 and will also require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

Subject to the receipt of shareholder approval, the Company will also undertake a placement to raise at least \$1,500,000 (**Placement**) at a price not less than \$0.01 per share (on a pre consolidated basis), to be completed under a prospectus with all funds raised to be applied toward:

Item	Amount \$
Product Development	\$ 165,000
Marketing Campaigns	\$ 55,000
Marketing & Sales Staff	\$ 480,000
Office Fit out	\$ 30,000
International Travel	\$ 95,000
Governance & Admin	\$ 75,000
Listing & Legal Costs	\$ 400,000
Working Capital	\$ 200,000
<b>TOTAL</b>	<b>\$ 1,500,000</b>

## Indicative Capital Structure

The following table illustrates the change in the Company's capital structure following the Acquisition:

	Shares	Options (FGFO)	Options (FGFOA)	Performance Shares	Performance Options
Current	446,444,834	173,562,598	272,866,800	-	
Consideration for Acquisition	1,500,000,000		500,000,000	500,000,000	250,000,000
<b>TOTAL</b>	<b>1,946,444,834</b>	<b>173,562,598</b>	<b>772,866,800</b>	<b>500,000,000</b>	<b>250,000,000</b>

1. In addition, the Company will be raising a minimum of \$1,500,000 through the issue of shares at not less than \$0.01 each on a pre-consolidated basis via clients of Melbourne Capital Limited.
2. The Company will undertake a placement of 750,000,000 FGFOA options for a total consideration of \$75,000 to Melbourne Capital and its clients.
3. The 500,000,000 Performance Shares and 250,000,000 Performance Options on the terms and conditions as detailed in the Key Acquisition Terms above.

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## Indicative Timetable

The indicative timetable for completion of the transaction and the Company's re-compliance with the ASX listing rules is outlined below:

<b>Event</b>	<b>Date</b>
Execute heads of agreement for Acquisition	1 October 2015
Due diligence completion	13 November 2015
Dispatch notice of meeting seeking approval for the Acquisition	16 November 2015
Lodgment of Placement prospectus with ASIC	7 December 2015
General meeting of shareholders to approve the Acquisition	16 December 2015
Closing date of Placement under the prospectus	21 December 2015
Dispatch holding statements for Placement and Acquisition	28 December 2015
Re-quotation of Shares on ASX	30 December 2015

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