

27 November 2017

BINDING TERM SHEET SIGNED FOR INVESTMENT & DEVELOPMENT OF DIGITAL CURRENCY EXCHANGE

First Growth Funds Limited (“FGF” or “the Company”) is pleased to advise that it has entered a term-sheet for an investment in an entity focused on the design, development and implementation of a new digital currency exchange and associated technology.

FGF and Heuresy LLC (including its affiliate Heuresy Labs LLC) (together, “Heuresy”) entered a binding term sheet on 22 November 2017 details of which are set out below (the “Term Sheet”). The parties intend to negotiate in good faith and enter further definitive documents setting out all necessary terms and conditions of the transaction, however, the Term Sheet remains legally binding on the parties until such time as it is replaced with further definitive documents. FGF will make a further announcement regarding the transaction to the market once further definitive documents have been entered.

For completeness, FGF notes the following:

- an investment of this type, in a digital currency exchange, is highly speculative nature;
- while the Term Sheet is binding, negotiations for the further definitive documents are still ongoing;
- the proposed investment has a number of risk factors due to the emergent nature of digital currency exchanges, including:
 - the emerging regulatory risks involved with such an investment; and
 - the changing regulatory environment in which the proposed investment operates;
- digital currency exchanges and the related topics of crypto-currencies and initial coin offerings (“ICOs”) raise legal, regulatory and public policy issues. A number of international regulators have issued guidance on the application of their securities and financial services laws on ICOs, and the regulatory status of ICOs 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.

Term Sheet Summary

The Term Sheet provides as follows:

Parties	FGF, ICO-AN Pty Ltd (a wholly owned subsidiary of FGF) and Heuresy
Effective Date	22 November 2017
Formation	Two new limited liability companies are to be incorporated under the laws of St Kitts and Nevis each being owned 50% by ICO-AN Pty Ltd and 50% by Heuresy. Both entities will be structured to ensure compliance with all applicable legal and regulatory requirements including compliance with all regulatory and exchange requirements relating to FGF.

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Offering	<p>The parties anticipate the design, development and implementation of four primary offerings as follows with respect to a proposed new digital currency:</p> <ol style="list-style-type: none"> 1. Electronic currency exchange; 2. Initial coin offering (ICO); 3. Hardware security solution for ICO and available for licensing by other electronic currencies and exchanges; 4. Consulting services regarding ICOs. <p>FGF is cognisant that the regulation of digital currencies and ICOs is developing and may rapidly change. Steps will be taken to ensure that any new exchange or ICO is operated or undertaken in compliance with all applicable laws and regulations, however it is acknowledged that there are significant emerging regulatory risks involved.</p> <p>It is presently proposed that the new currency exchange would be established in St Kitts and Nevis.</p> <p>It is possible that these proposed offerings may change in the process of development and there can be no assurance that these offerings will be ultimately developed, or if they are, that they will be successful. Full development of these offerings may require additional capital infusions of as much as US\$2 million or more on terms agreeable to the parties, which is not yet committed, and which may or may not be able to be raised.</p>
ICO	<p>It is intended that the entity operating the exchange will undertake an initial coin offering (ICO), subject to compliance with all legal and regulatory requirements. It is agreed that each of ICO-AN Pty Ltd and Heuresy will receive 10% of the total coins offered under the ICO.</p>
FGF Investment	<p>FGF has agreed to invest US\$250,000 under the Term Sheet, prior to execution of definitive agreements, which shall be used for expenditures for direct development of the proposed business offerings (the "FGF Investment"). Not later than the 3 business days after the Effective Date (which is 22 November 2017 as stated above), FGF will transfer this US\$250,000 to an escrow account for expenditure by Heuresy on development of the Offering (as defined above) subject to the provisions set forth in the Term Sheet. FGF has not as yet transferred this funds however intends to do so on or before Monday 27 November 2017.</p> <p>This includes a US\$100,000 payment to Heuresy for consulting services. This includes Heuresy being responsible for initially developing the exchange, the hardware security solution and all related software and applications which covers architectural scoping, the integration of software and hardware products and assistance with jurisdictional and compliance issues.</p> <p>The US\$100,000 fee payable to Heuresy forms part of the US\$250,000 payable into escrow by FGF. From the escrowed funds, the following will be released to Heuresy:</p> <ol style="list-style-type: none"> 1. US\$10,000 immediately for initial set up costs; 2. US\$30,000 per month on 1 December 2017, 1 January 2018 and 1 February 2018. <p>Heuresy shall provide FGF weekly reports of amounts expended from the Escrow Account with copies of relevant invoices for all third party products, consultants and expenses. FGF has no obligation to make additional payments for development expenses unless agreed to in writing by the parties.</p>
Heuresy's obligations	<p>Heuresy is to be responsible for initially developing the exchange, the hardware security solution and all related software and applications. In consideration for these contributions, it is proposed that FGF will issue fully paid, unrestricted, ordinary shares in FGF to Heuresy as follows:</p> <ol style="list-style-type: none"> 1. 7.5million shares if the exchange is operating within 6 months of the Term Sheet;

	<ol style="list-style-type: none"> 2. 7.5million shares if the entities established provide advisory services relating to the ICO with the ICO completing within 9 months of the Term Sheet; 3. 7.5million shares once the exchange has operated for 6 months; 4. 7.5million shares once the exchange has operated for 12 months. <p>FGF presently has capacity under Listing Rule 7.1 to issue up to 129,715,227 shares and as such has sufficient capacity to issue the above shares without obtaining shareholder approval.</p>
Expiry	The Term Sheet is for an initial term of 90 days unless extended in writing or replaced with definitive documents.
Definitive documents and closing	The parties have agreed to negotiate in good faith to reach agreement on definitive documents setting out all necessary terms and conditions of the transaction. The parties are to make good faith efforts to complete and execute definitive documentation and complete the proposed transactions as soon as commercially practicable. There is presently no binding obligation between the parties for FGF to make any investment beyond the agreed FGF Investment defined above.

FGF recognises that the security of digital currencies and the exchanges they trade on is paramount. FGF acknowledges that there has in the past been significant hacking and thefts of digital currencies and the exchanges they trade on. The present intention of FGF and Heuresy is to develop a proposed new digital currency and electronic currency exchange which is fully secure and as a result is attractive not only to early adopters of digital currency but also for large corporations and governments.

Proposed development of the offering

FGF notes that the following steps will need to be taken in order to develop the proposed exchange:

1. Modify existing exchange platform software which has already been identified by Heuresy and is in the process of being contracted.
2. Formally engaging providers of infrastructure to run the exchange which have been pre-identified by Heuresy.
3. Engagement of counsel to advise on regulatory issues in all applicable jurisdictions to enable functionality and compliance on a global basis.
4. Formally engaging parties pre-identified by Heuresy to run the exchange and manage regulatory and advisory issues.
5. Technical and cryptographic stress testing of the product prior to market entry.

The technical budget for development of the exchange is approximately US\$250,000. This is what the funding to be provided by FGF is to be used for. The possible budget for commercialisation and the ICO and ongoing support may be up to US\$2million or more pre the initial coin offering. As noted above, this amount has not yet been committed by FGF or any other party, and may or may not ultimately be able to be raised. Any further raising pre the initial coin offering may significantly dilute FGF's interest in the subsidiaries to be established.

Timeline for incorporation of the companies and development of the technology is within the initial 90 day period of the Term Sheet. Subject to market conditions, it is anticipated that the exchange may be commercialised and the ICO undertaken within one quarter following development of the technology for the exchange.

Background to Heuresy

The founding shareholder, director and CEO of Heuresy LLC is Mr Keith Benson. Heuresy LLC was incorporated on 6 October 2017 in the State of Virginia, United States of America. The following provides a short overview of Mr Benson's background and credentials.

Keith Benson – Chief Executive Officer, Heuresy LLC

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Keith Benson is an electronics and communications systems architect, inventor, and entrepreneur. An expatriate of Australia now residing in the United States, Mr. Benson has over twenty-five years' experience as founder and CEO in multiple start-ups. Mr. Benson has raised more than US\$20 million for his companies, with a total of over US\$100 million invested in licensed technologies he has conceived and patented.

Mr. Benson has extensive experience in the conception, introduction, and deployment of disruptive technologies in electronic transactions, mobile communications, and digital security applications. An expert in intellectual property development and protection, Mr. Benson is the lead named inventor on multiple granted patents, including virtual SIM technology for independent mobile applications now ubiquitous in smart phones.

Mr. Benson conceived and developed Navy Cash, the first large scale smart card payment system created for the U.S. Government. The system was built from scratch under Mr. Benson's oversight and operational within 13 months. It is currently deployed throughout the U.S. Navy and Marine Corps.

Heuresy LLC presently has 4 employees and engages contractors to assist with projects as is usual conduct in the industry.

Mr Athan Lekkas and Mr Geoff Barnes, directors of FGF, recently met with Mr Benson in person on a number of occasions while in North America. In addition to meeting with Mr Benson in person, they also met in person with key contractors and advisors to Heuresy based in North America who are likely to be involved in the design, development and implementation of the proposed offering. Mr Benson has also provided presentations and information to FGF (under the non-disclosure and non-circumvention agreement entered with Heuresy LLC on 15 November 2017) regarding the proposed offerings as well as background information on various patents registered in Mr Benson's name.

Other Investments

FGF continues to maintain its other investments including:

- Cloud Lumen whereby the Company made an investment of \$350,000 by way of convertible note and anticipates Cloud Lumen will list on ASX in Q1 2018;
- Pearl Global whereby FGF invested \$350,000 by way of convertible note and awaiting confirmation from Pearl Global of an expected listing date on ASX; and
- Holding over \$1m in cash available for new investments as the Company continues to review potential opportunities presented to the company.

Geoff Barnes
Chairman

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