

2 January 2018

SHARE PLACEMENT TO RAISE \$3.45M TO EXPAND INTO BLOCKCHAIN SECTOR

Key highlights:

- Conditional Share Placement to raise \$3.45M
- Placement to Australian and international investors for 24.6% of FGF, led by Blockchain Global Limited
- Partnership with Blockchain Global to provide strategic deal flow for Blockchain related investment opportunities
- Funding to launch FGF into investments in Blockchain technology and related assets and businesses
- Blockchain Global to underwrite half of the February 2018 Options (with an underwritten exercise price of up to \$4.3million)

First Growth Funds Limited (“FGF” or “the Company”) is pleased to advise that it has entered a conditional placement agreement with Blockchain Global Limited (**Blockchain Global**) and other unrelated sophisticated investors to raise \$3,453,990. The purpose of the placement is to raise funds to provide FGF with working capital and for funding to facilitate acquisitions of or investments in Blockchain technology, assets or businesses.

Placement terms

The Company has agreed to issue 282,257,907 shares at \$0.012237 each (**Placement Shares**). The Placement Shares will be ordinary shares and will rank pari passu with all existing ordinary shares on issue. In addition, the Company has agreed to offer to investors in the Placement Shares a 1:1 attaching option exercisable at \$0.03 within 2 years of issue (**Placement Options**). Full terms of the Placement Options are set out in Annexure A. A total of 282,257,907 Placement Options are to be issued.

The Placement Shares and Placement Options are not being issued in reliance on FGF’s existing capacity under Listing Rules 7.1 or 7.1A or under an exception in Listing Rule 7.2, rather they will be issued subject to and in reliance on shareholder approval to be sought at an upcoming general meeting.

Conditions to completion of Placement

Completion of the issue of the Placement Shares is conditional upon the following conditions precedent being satisfied or waived:

- (a) FGF obtaining the approval of its shareholders in general meeting to the issue of the Placement Shares, the Placement Options and the Milestone Shares (defined below) in accordance with Listing Rules 7.1 and 7.3 (the **Approval**) and all other required regulatory or ASX approvals being obtained on or before 28 February 2018 (the **Approval Date**);
- (b) FGF lodging a disclosure document with ASIC in respect of the issue of the Placement Shares and the Placement Options (**Prospectus**) on or before the Approval Date;
- (c) Each investor being satisfied (acting reasonably) with its due diligence investigations on FGF on or before 25 January 2018;
- (d) Blockchain Global entering a voluntary escrow deed in the form provided by FGF, on or before 25 January 2018 (**Escrow Deed**),

(each a **Condition Precedent**).

The Conditions Precedent in (a), (b) and (d) above are for the benefit of FGF and each investor and may only be waived by agreement in writing by them. The Condition Precedent in (c) above is for the benefit of each investor and may only be waived by an investor in writing. The parties must use their best endeavours to ensure the satisfaction of each of the Conditions Precedent. Each of the Conditions Precedent must be satisfied or waived by the dates set out for each respective Condition Precedent and if

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they are not, the relevant placement agreement may be terminated by either party giving written notice to the other, so long as the party giving the notice is not in default in the performance of its obligations to use their best endeavours to ensure the satisfaction of each of the Conditions Precedent.

Investors

The Placement Shares and Placement Options (282,257,907 each) will be issued to unrelated sophisticated and professional investors, led by Blockchain Global. The Placement Shares will represent 24.6% of the issued share capital of FGF on issue, with Blockchain Global holding 10% of issued shares on completion of the placement (assuming no further shares are issued in the Company other than as contemplated by the placement).

Escrow

The Placement Shares issued to Blockchain Global (114,711,813) will be subject to voluntary escrow for 12 months. The Placement Shares issued to other investors will not be subject to escrow.

The Company will lodge a prospectus to enable the Placement Shares to be freely traded (subject to the Escrow Deed in respect of Blockchain Global) and to offer the Placement Options and therefore allow any shares issued on exercise of the Placement Options to be freely traded, on or before 28 February 2018.

Timetable

The following is the proposed timetable in this regard:

Activity	Completion Date
Completion of due diligence	25 January 2018
Final date for lodgement of Prospectus	28 February 2018
Final date of shareholders meeting	28 February 2018
Funds due to FGF	3 Business Days after satisfaction or waiver of Conditions Precedent
Expected allotment of Placement Shares and Bonus Options	4 Business Days after satisfaction or waiver of Conditions Precedent
Expected ASX quotation of Placement Shares	6 Business Days after satisfaction or waiver of Conditions Precedent

Additional rights of Blockchain Global

Blockchain Global Limited is a leading global pure-play Blockchain Technology commercialisation and investment company. Founded in 2014, the company's investments have ensured year on year profitability. Most recently, Blockchain Global and strategic investors have acquired a 40% interest in DigitalX (ASX:DCC), the world's first listed Blockchain company.

To capitalise on the extensive IP from operating blockchain auditing infrastructure across 3 facilities, Blockchain Global in 2016 expanded operations beyond providing auditing services for the Bitcoin network, through the material revenue growth for its management consulting division and corporate incubation program. Blockchain Global also operates Australia's largest crypto currency exchange called ACX.io

Upon completion of the issue of the Placement Shares, Blockchain Global has agreed to provide the following services to FGF at no charge or cost to FGF:

- (a) Assistance with establishment and operation of a Blockchain Centre in South Australia by providing the initial Blockchain Centre licence and one staff member at \$200,000 in value, if FGF elects to establish such a centre in its sole discretion; and
- (b) Access to a Pipeline of deal flow from BCG's Australian and Global Networks.

With the level of subscription made by Blockchain Global and their additional involvement as outlined above, FGF has agreed to the issue the following shares to Blockchain Global (or its nominee) on achievement of certain milestones and subject to all necessary shareholder and regulatory approvals being obtained and the issue not resulting in a breach of Chapter 6 of the Corporations Act or otherwise requiring shareholder approval under Item 7 of Section 611 of the Corporations Act:

- Milestone 1: FGF's share price trading over 3c for 10 consecutive business days - within 12 months of completion of share placement, 20,000,000 ordinary shares;
- Milestone 2: FGF's share price trading over 4c for 10 consecutive business days - within 12 months of completion of share placement, 20,000,000 ordinary shares; and
- Milestone 3: FGF's share price trading over 5c for 10 consecutive business days - within 12 months of completion of share placement, 20,000,000 ordinary shares.

In the event that the Issuer is not entitled to issue a notice under section 708A(5)(e) of the Corporations Act (Cleansing Notice) as at the date of issue of any Milestone Shares, the issue of the applicable Milestone Shares will be subject to the holder of the Milestone Shares entering into a voluntary escrow deed in the form provided by the Company prior to the date of issue of the Milestone Shares.

Subject to Blockchain Global maintaining a shareholding in the Company of at least 5%, it may nominate one person to be appointed as a non-executive director of the Company on completion of the Placement. In addition, if Milestone 3 above is satisfied, Blockchain Global will have the right to appoint one additional director.

Underwriting of Series B and Series C Options

The Company currently has on issue 272,866,800 Series B listed options exercisable at \$0.02 and expiring on 17 February 2018 and 161,747,397 Series C listed options exercisable at \$0.02 and expiring on 20 February 2018. Blockchain Global has agreed to underwrite the exercise of 50% of the Series B and Series C options on issue (being a total of 217,307,099 options) (**Underwritten Options**) on the following conditions:

- (a) Blockchain Global's obligation to subscribe for shares on exercise of the Underwritten Options is subject to all Conditions Precedent to the Blockchain Global placement either being satisfied or waived;
- (b) the number of Underwritten Options will be capped so as to ensure that neither Blockchain Global nor any other person will be in breach of Chapter 6 of the Corporations Act upon issue of shares on exercise of the Underwritten Options and the issue of the Placement Shares or that the issue of shares on exercise of the Underwritten Options and the issue of the Placement Shares otherwise requires shareholder approval under Item 7 of Section 611 of the Corporations Act. As such, the actual number of Underwritten Options may be less than 50% of those Series B and Series C options currently on issue;
- (c) Blockchain Global must subscribe for any of the Series B Underwritten Options which are not validly exercised by midnight (Sydney time) on 17 February 2018 in immediately available funds on or before 9 business days after 17 February 2018, so that the shares on exercise of the Series B Underwritten Options may be issued within 10 business days after 17 February 2018 in accordance with Exception 12 of Listing Rule 12;
- (d) Blockchain Global must subscribe for any of the Series C Underwritten Options which are not validly exercised by midnight (Sydney time) on 20 February 2018 in immediately available funds on or before 9 business days after 20 February 2018, so that the shares on exercise of the Series C Underwritten Options may be issued within 10 business days after 20 February 2018 in accordance with Exception 12 of Listing Rule 12;
- (e) a fee of 6% will be payable to Blockchain Global based on the total exercise price of the number of Underwritten Options on issue as at 31 December 2017 (equal to \$260,768.52). Subject to shareholder approval, the underwriting fee will be payable in FGF shares at an

issue price of \$0.012237. If such approval is not obtained by 28 February 2018, the underwriting fee will be payable in cash; and

- (f) if:
- (1) the All Ordinaries Index is, at any time for two consecutive Business Days after 25 January 2018 and prior to 1 March 2018 (being 9 business days after the expiry date of the Series B options), more than 10% below the level of that Index at the close of ASX trading on 25 January 2018; or
 - (2) initial coin offerings or cryptocurrencies are prohibited in Australia after 25 January 2018 and prior to 1 March 2018,

Blockchain Global may terminate its obligation to underwrite the exercise of the Underwritten Options at any time prior to 1 March 2018 by notice in writing to FGF.

If all of the Series B and Series C options are exercised this will raise an additional \$8.6million for the Company. If only the underwritten Series B and Series C options are subscribed for pursuant to the underwriting arrangements, this will raise up to \$4.3million.

Geoff Barnes
Chairman

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Annexure A - Terms of Placement Options

- (a) The Options shall be issued for no cash consideration;
- (b) The exercise price of each Option is \$0.03 (**Exercise Price**);
- (c) The Options will expire on the date that is two years after issue (**Expiry Date**) unless earlier exercised;
- (d) The Options are transferrable;
- (e) The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with payment for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date. Payment may be made as directed by the Company from time to time, which may include by cheque, electronic funds transfer or other methods;
- (f) The number of Options that may be exercised at one time must be not less than 1000, unless the Option holder holds less than 1000 options in which case all options must be exercised at one time;
- (g) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares within 10 business days of valid exercise and payment;
- (h) Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- (i) Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend;
- (j) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
- (1) the number of Options, the Exercise Price of the Options, or both will be reorganised (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reorganisation, but with the intention that such reorganisation will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (2) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reorganisation of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
- (k) If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying securities into which one Option is exercisable;
- P = the volume weighted average market price per security of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;

- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (m) If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
- (n) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, unless all necessary waivers of the ASX Listing Rules are obtained, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
- (o) The Company shall not apply for listing of the Options on the ASX; and
- (p) The Company shall apply for listing on the ASX of the resultant shares of the Company issued upon exercise of any Option.