

5 February 2019

SHAREHOLDER UPDATE – FEBRUARY 2019

Dear Shareholders,

We have received a number of queries from shareholders regarding FGF's operating cash expenditure. I would like to provide this shareholder update to further clarify how our 4C is calculated and clear any misconceptions that may be out there.

Below is the table of our operating activities for the December Quarter:

1	Cash flows from operating activities	
1.1	Receipts from customers	86
1.2	Payments for:	
	(a) research and development	0
	(b) product manufacturing and operating costs	0
	(c) advertising and marketing	(61)
	(d) leased assets	0
	(e) staff costs	(84)
	(f) administration and corporate costs	(248)
1.3	Dividends received (see note 3)	9
1.4	Interest received	17
1.5	Interest and other costs of finance paid	(1)
1.6	Income taxes paid	0
1.7	Government grants and tax incentives	0
1.8	Other - proceeds from trading	3,320
	Other - trading payments	(4,545)
1.9	Net cash from / (used in) operating activities	(1,507)

You will note that our staff costs have remained constantly modest. Our administration and corporate costs of \$248,000 was higher than usual as it included \$120,000 of one off costs. As a normalised figure our total operating activities for the quarter was \$273,000. FGF generated \$160,584 in new income from \$86,000 in fees, \$26,000 in dividends and interest and \$48,584 in trading revenue. On a normalised basis we had a shortfall of just \$112,416 for the entire 3 months of activity. We covered 59% of our normalised operational expenditure for the December Quarter.

A number of shareholders have queried point 1.8. FGF is an investment company and our operational activity is 'investments'. The figures under 1.8 are our ASX listed equities with frequent buying and selling. For our private equity investments, these are listed under section 2.1c 'Investments' as they are not traded frequently.

For 1.8 Other – proceeds from trading is the total number of shares we sold during the quarter, i.e \$3.32M. For 1.8 – trading payments is the total number of shares we acquired, i.e \$4.545M.

For the quarter, the balance from buying and selling is \$1.225M invested in ASX stocks. We show this as cash used in our operating expenditure as we have invested this money and is no longer cash at bank, but it is not expensed like a traditional business where you cannot recover this expenditure. In our case, we can sell these 'expenses' into cash.

The net cash from / (used in) operating expenses includes both the balance of our investments in ASX stocks and our actual operating expenses. In the December quarter it shows \$1.507M that includes \$1.225M of investments in ASX stocks.

As an investment company we are required for 4C cash flow reporting for 'operating expenditure' to include both our actual expenditure for running the business and investing and trading ASX stocks.

We have also received queries on Point 4 in our 4C. At first glance it appears that we started the quarter with \$6.207M of cash and expensed \$1.904M (\$1.507M + \$0.387M) and left with \$4.303M.

4	Net increase / (decrease) in cash and cash equivalents for the period	
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,207
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,507)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(397)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0
4.5	Effect of movement in exchange rates on cash held	0
4.6	Cash and cash equivalents at end of quarter	4,303

The \$1.507M is derived from the operating expenditure and as explained above it includes \$1.225M in ASX stocks that can be converted to cash at anytime. Point 4.3 of \$397,000 relates to investments in private equity, again not operational expenditure. As the 4C is a cash flow report it does not include our balance sheet and asset position, which is also important for shareholders to keep a close eye on. In the December quarter, FGF held \$4.2M in cash, \$3.3M at cost value in listed equities, \$1.6M at cost value in private equity and \$1.2M at cost value in Digital Currency, that is a total of \$10.3M.

On 4 February 2019, we announced the appointment of two new board members. Their appointment includes modest director fees with most of their remuneration coming from performance of Company, First Growth Advisory. The future appointment of a CEO for First Growth Advisory will only be done once we have a line of sight to funding or possible IPO of Company. We do not expect First Growth Advisory to have a large impact on FGF's operational expenditure.

FGF has a strong cash position, access to liquid assets if required and is generating income from trading revenue, dividends and fees. We are excited by the growth opportunities of our portfolio and as we develop and incubate First Growth Advisory.

Hopefully this letter will clear some of the misconceptions with FGF's quarterly cash expenses. The FGF's board has an open door policy and if any shareholder has any concerns or queries please feel to contact me directly on a.manzoori@firstgrowthfunds.com

Your Sincerely,

Anoosh Manzoori
Executive Chairman