

30 April 2018

## **CRYPTODATA VAULT SECURES US\$2.25M TO LAUNCH SOVEREIGN CASH TOKENS AND A DIGITAL CURRENCY HARDWARE WALLET**

### **Key highlights:**

- CryptoData Vault to launch world's first Hardware Wallet for securing Digital Currencies using patent pending geo-lock capability
- FGF partners with Sam Lee, co-founder of Blockchain Global, with US\$2.25 Million investment in CryptoData Vault
- FGF holds 50% equity in CryptoData Vault. FGF to provide an additional contribution of US\$250,000. FGF to receive 15.56% of Tokens and 6% commission on sale of Tokens from CryptoData Vault.
- Sam Lee to invest US\$2,000,000 and receive 44.44% of Tokens and act as exclusive Marketer of the Tokens on global digital currency exchanges

**Sydney, 30 April 2018** – First Growth Funds Limited (ASX:FGF) is pleased to announce that further to its prior market disclosure of 27 November 2017, it has reached an agreement with Heuresy LLC for a US\$2.25 Million investment in CryptoData Vault LLC.

Managing Digital Currencies via online wallets or hosted on exchanges are prone to cyber attack. According to Blockchain.info there are over 24 Million Digital Currency Wallets worldwide and growing. There are currently only three major hardware wallet providers worldwide but they fall short in providing some of the governance, compliance and security that is needed in the Digital Currency market.

CryptoData Vault will hold the exclusive license for sale and distribution of the Hardware Wallet, Excalibur, in connection with its SovereignCash cryptocurrency token and exchange offerings. CryptoData Vault's token Sovereign Cash will be designed to be traceable with policy controls by geolocation and geo-fencing, offering strong advantages for issuing governments and institutions.

Under the terms of the Agreement, Sam Lee (co-founder of Blockchain Global Limited) will be responsible as the Marketer of Sovereign Cash tokens and will list them in a number of Digital Currency Exchanges including those within his network.

The listing of Sovereign Cash tokens in exchanges will not only provide an opportunity for FGF to sell its tokens over time but also promote the Excalibur Hardware Wallet to potential customers.

FGF's additional contribution of US\$250,000 will be controlled by ICO-AN Pty Ltd (a wholly owned subsidiary of FGF) and will be used in its discretion for marketing of the CryptoData Vault offerings.

FGF holds a 50% membership interest in CryptoData Vault (consistent with its market disclosure on 27 November 2017). In addition, under the Agreement FGF will receive 10% of all Tokens (per the 27 November 2017 announcement as a founding member of CDV) and an additional 5.56% of all Tokens in consideration for the additional contribution of US\$250,000 (being a total of 15.56% of all Tokens). FGF will also receive a further 6% commission on the sale of CryptoData Vault's Tokens. CryptoData Vault will hold 20% to 25% of the Tokens to fund expansion plans. Sam Lee will receive 44.44% of Tokens with Heuresy receiving 10% of Tokens.

FGF reported on 27<sup>th</sup> November 2017 that CryptoData Vault would launch its own exchange and Initial Coin Offering (ICO). CryptoData Vault intends to have a modified exchange for the purposes of delivering the security, compliance and controls for the Excalibur hardware device. With the US\$2,250,000 investment, CryptoData Vault no longer requires a private crowdsale ICO and can proceed straight to a listing on the Digital Currency Exchanges.

Details regarding the initial Term Sheet entered by FGF and Heuresy, as well as background information regarding Heuresy were contained in the Company's announcement of 27 November 2017.

For completeness, FGF notes the following:

- an investment of this type, in a digital currency exchange, is highly speculative in nature;
- 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;
  - prohibiting banks and credit institutions from trading in digital currencies, as seen in Vietnam and China;
  - the attempted banning of all virtual currencies in Nigeria;

- the banning of anonymous virtual trading accounts and the imposition of strict Anti-Money Laundering requirements in South Korea;
- the imposition of new registration requirements for cryptocurrency miners and the application of securities laws to the ICO funding model in Russia;
- banning the use of digital currencies, including making it illegal to use digital currencies as a medium of exchange, or send or receive digital currencies from outside a jurisdiction, as seen in Russia with respect to Bitcoin;
- in Australia, Japan, Canada and elsewhere changes are being made to regulate crypto-currencies under anti-money laundering and counter-terrorism legislation and this could materially affect their value over time.

For its digital currency-related business activities FGF has, and will always endeavor to the best of its ability to ensure that entities with which it is involved comply with all relevant regulatory requirements.

In accordance with ASX Compliance Update 01/18 the Company provides details regarding Sam Lee’s skills and experience in respect of digital currencies in Annexure A.

### Agreement Summary

The Agreement provides as follows:

<b>Parties</b>	FGF, ICO-AN Pty Ltd (a wholly owned subsidiary of FGF), Heuresy LLC, Heuresy Labs LLC, CryptoData Vault LLC, Sam Lee, Keith Benson
<b>“Marketer” Marketing Rights Fee from Sam Lee</b>	US\$2,000,000 Cash investment by Marketer to CryptoData Vault for development expenses in two payments as follows: (1) US\$1,000,000 within twenty-one (21) calendar days of the Effective Date of Agreement; and (2) US\$1,000,000 within 5 calendar days following written certification that CryptoData Vault has achieved agreed Milestones (being development of a functional physical implementation of the Excalibur hardware wallet with a roadmap to commercial production of the hardware wallet). The Milestone is to be reached within 90 days from when the first US\$1,000,000 is received subject to a 30 day extension in the event of unforeseen delays. If the first US\$1million is not transferred per the agreement, the agreement is null and void.

<b>FGF Loan</b>	<p>US\$60,000 FGF will loan US\$60,000 to CryptoData Vault on an unsecured and limited recourse basis with terms of repayment being US\$70,000 repaid from the first US\$1,000,000 provided by the Marketer.</p>
<b>FGF Additional Contribution</b>	<p>US\$250,000 The amount of US\$250,000 to be provided by FGF to be expended by ICO-AN in its discretion for marketing of the CryptoData Vault offerings.</p>
<b>FGF Ownership Interest in CryptoData Vault</b>	<p>FGF's interest represents 50% of all membership units on issue in CryptoData Vault with Heuresy holding the balance 50% of all membership units on issue in CryptoData Vault. FGF's membership interest in CDV shall be null and void in the event that the first USD\$1 million due from the Marketer is not transferred in accordance with the Agreement; after transfer of the first USD\$1 million such membership interest will be irrevocable.</p>
<b>Initial Token Ownership</b>	<p>At initial issuance, the Total Token Pool will be owned as follows:</p> <ul style="list-style-type: none"> <li>▪ 44.44% Marketer</li> <li>▪ 15.56% FGF</li> <li>▪ 10% Heuresy</li> <li>▪ 30% CryptoData Vault (of which there will be an Incentive Pool of between 5% and 10% for third party contractors subject to escrow terms).</li> </ul> <p>All tokens will be created in compliance with all legal and regulatory requirements.</p>
<b>Initial Coin Offering (ICO)</b>	<p>A traditional crowdsale ICO will not be required, as CryptoData Vault is able to complete its product development from the investment of US\$2,000,000. It is expected the Marketer will list the Tokens on the global exchanges within the next few months from the date of the Agreement.</p>
<b>Token Float by Marketer</b>	<p>Marketer shall have the right to market 100% of the Total Token Pool. The Marketer will list the CryptoData Vault Tokens on multiple, global digital currency exchanges and will be responsible for marketing the Tokens.</p> <p>25% of the Tokens shall be held back by CryptoData Vault, and shall be released for sale by Marketer only after the point that Heuresy and FGF have each individually received cumulative Proceeds of not less than USD\$9.375 million. If the Marketing Milestone has not been reached within 24 months of the Effective Date, the right to market the 25% of Tokens held back by CryptoData Vault shall revert to CryptoData Vault and the Marketer shall receive the full 44.44% Allocation of Proceeds of such sale (with FGF receiving 15.56%, Heuresy receiving 10% and CDV receiving 30% of the Allocation of Proceeds of such sale).</p>

<b>Token Sale</b>	<p>The Tokens shall be released in separate tranches on a pro-rata basis across all initial Token holders with the exception that any Tokens that are held by third party contractors, which are subject to escrow. The terms of the tranches and listing shall be determined by the Marketer in consultation with CryptoData Vault.</p>
<b>Token Distribution Management</b>	<p>ICO-AN or FGF shall act as the exclusive Token Distribution Manager for the initial Token holders (<b>Manager</b>) in exchange for a commission of 6% on the value of the Tokens received in such sales deducted by the Manager from the amount to be remitted to the Party on whose behalf such Tokens were sold, provided that such 6% management commission shall not apply to sales on behalf of Heuresy or Sam Lee. The parties intend that a further protocol agreement with CryptoData Vault for management of Token Sales in accordance with the terms and conditions of this Agreement (<b>Management Agreement</b>) will be negotiated and agreed by the parties (such agreement not to be unreasonably withheld).</p>
<b>Milestone Shares</b>	<p>Heuresy and FGF have agreed to the future issue of up to 30,000,000 FGF milestone shares to Heuresy as follows:</p> <p>Milestone 1 - Network Launch occurring within 8 months of signing the Term Sheet (being 21 July 2018), or such later date as may be agreed to by FGF in the event of unforeseen delays (7,500,000 shares).</p> <p>Milestone 2 - The development of the Excalibur hardware wallet has been completed and the Excalibur hardware wallet is available for commercial sale not later than 9 months after the date of the agreement (being 26 January 2019), or such later date as may be agreed to by FGF in the event of unforeseen delays (7,500,000 shares).</p> <p>Milestone 3 - Subject to Milestone 1 above being satisfied in accordance with its terms, the Network operating live for 6 months (7,500,000 shares)</p> <p>Milestone 4 - Subject to Milestone 1 above being satisfied in accordance with its terms, the Network operating live for 12 months (7,500,000 shares)</p> <p>The agreement to issue the above Milestone Shares is not subject to shareholder approval and is in reliance on the Company's existing capacity to issue equity securities pursuant to ASX Listing Rule 7.1.</p>
<b>Timing for Platform launch</b>	<p>CDV is required to achieve the initial token generation event, make the initial tranche of Tokens available to Marketer for marketing and distribution and launch the platform to be developed by CDV which will permit the use of the Tokens to transact on that platform or such other platform built by CDV for the purposes of providing utility to the Token within six (6) months following the date that the first USD\$1 million has been transferred by Marketer, subject to a single extension of 30 days in the event delays are caused by unforeseen circumstances.</p>

It is FGF's intention to realise value from this investment in part by the sale its 15.56% share of the Total Token Pool, with the tokens intended to be sold on multiple global cryptocurrency exchanges. The Marketer is responsible for marketing the Tokens. FGF will receive the proceeds from the sale of its share of the Total Token Pool as those tokens are sold on exchanges. However, it is important to acknowledge the risk inherent in such a business model. The risks noted above in relation to digital currency exchanges apply equally to the sale of tokens. Other risks that would impact FGF's ability to obtain value from this investment include the volatility of the token sale price, the need to establish a market for the tokens which have not previously been listed on an exchange, an absence of liquidity to enable token sales, or if development of the Excalibur hardware wallet is not completed, any of which would reduce or eliminate any value that could be obtained from sale of the tokens. FGF can provide no guarantee as to the value it may obtain from the sale on market of its 15.56% share of the Total Token Pool nor the time frame over which any value may be realised.

Since entry of the Term Sheet, there has been significant focus on the development of the hardware solution for CDV's offering. CDV is required by the Agreement to develop a functional physical implementation of the Excalibur hardware wallet with a roadmap to commercial production of the hardware wallet within 90 days from when the first US\$1,000,000 is received subject to a 30 day extension in the event of unforeseen delays. Further, in order to meet Milestone 2 as outlined above, CDV must complete the development of, and make available for commercial sale, the Excalibur hardware wallet by 26 January 2019, or such later date as may be agreed to by FGF in the event of unforeseen delays.

In addition FGF notes that the following steps will need to be taken in order to complete the CDV exchange offerings:

1. Complete modification of existing exchange platform software which has already been identified by Heuresy.
2. Formally engaging providers of infrastructure to run the exchange which have been pre-identified by Heuresy.
3. Formally engaging parties pre-identified by Heuresy to run the exchange and manage regulatory and advisory issues.
4. Technical and cryptographic stress testing after complete development.

FGF expects that these steps will be implemented consistently with the timeframes set forth in the section entitled "Milestones" above.

CDV has engaged legal advisors to advise on regulatory issues regarding the exchange and tokens. CDV has been advised that St. Kitts and Nevis presently does not have any regulatory format specifically governing cryptocurrency tokens or exchanges. The relevant regulatory requirement is that CDV is not trading in St Kitts as a "money service business" or an "investment business" under the Financial Services Regulatory Act, No. 22 of 2009. CDV had been advised by its counsel in St. Kitts and Nevis that it is not regulated under those categories and therefore is in compliance with applicable requirements.

FGF confirms that it will endeavor to the best of its ability to ensure that CDV will continue to seek legal advice during the establishment of the exchange.

## **Annexure A - Experience of Sam Lee**

### **1. Specific knowledge of and experience in cryptocurrencies;**

Sam has been in the cryptocurrency industry since 2014. He is the co-founder and CEO of Blockchain Global which is a diversified company operating in the digital currency sector. Its operations include a large and well established bitcoin mining operation, investments in digital currency exchanges, a successful startup incubator (BlockEngine), direct investments in emerging blockchain enabled companies, and investments in public companies including DigitalX Limited and First Growth Funds Limited. Blockchain Global is also involved in ICOs. Blockchain Global is also involved in a successful private cryptocurrency fund, Cloudbreak.

Sam is also a director of DigitalX,Limited, an ASX listed ICO advisory business. The company has conducted a number of high profile and successful ICOs including the \$34M ICO of PowerLedger. In addition to DigitalX recently launched a cryptocurrency investment fund. Sam and Blockchain Global have been active in supporting DigitalX and their ICOs.

Sam is also involved in BlockShine that runs a large team providing blockchain development and services to companies, including support for ICOs. BlockShine also provides a trading desk for cryptocurrencies

Sam is also a founder of the Blockchain Centre, a not-for-profit to help support the industry providing education, industry links, startup incubator, and access to investors. The Melbourne centre has thousands of members. The Blockchain Centre have also licensed the concept into multiple countries and cities. They aim to open over 20 centres by end of this year.

### **2. Understanding of the market volatility and liquidity risks associated with cryptocurrencies and how Sam Lee will manage those risks;**

Sam has been in the cryptocurrency industry for a long time and is one of Australia's most experienced investors of cryptocurrencies. He has first hand experience in market volatility and liquidity risk with cryptocurrencies. Sam is aware of FGF's investment strategy to sell cryptocurrencies held by FGF into fiat currency (AUD or USD) as soon as practicable and also to ensure a positive ROI for FGF. Sam intends to list the SovereignCash tokens via exchanges he co-owns and has relationships with. He will also market the token to the registered members of the exchanges to help support liquidity and manage market volatility. Sam may also introduce the SovereignCash token to his network of sophisticated investors who also have many years' experience in cryptocurrencies.

### **3. Experience in managing highly volatile asset portfolios.**

Sam holds a large personal portfolio of digital assets which has provided him with experience in managing a volatile asset portfolio.

- Sam and co-founder launched their first crypto private fund in 2014
- Founder and CEO of Blockchain Global, Sam manages a large portfolio of digital assets including those generated daily from bitcoin mining operations
- Is an investor and director of DigitalX with sizeable holding of cryptocurrencies

- Experience with creating DigitalX crypto fund
- Involvement in Cloudbreak private fund
- Shareholder of Blockshine provides trading desk for cryptocurrencies and advisory.

**-ends-**