

21 June 2019

UPDATE ON ASX SUSPENSION

First Growth Funds Limited (ASX: FGF) (**Company**) is pleased to provide the following update regarding its suspension from official quotation.

Suspension

FGF was suspended from official quotation by the ASX on 4 April 2019. Following the application of this suspension the Company consulted with ASX and retracted a statement contained in its 3 April 2019 release (see announcement of 8 April 2019). The Company also received a query letter from ASX dated 8 April 2019 which was responded to (and released to the market) by the Company on 10 April 2019. This query letter related to various arrangements between FGF, YPB Group Limited (YPB), LINCQ HQ Pty Ltd and Harris Technologies Limited (HT8) as well as the Acudeen tokens held by FGF. Notwithstanding that response, the Company remained suspended from official quotation.

Chapter 11 Queries

Later in April, the ASX issued a further letter to the Company which outlined ASX's concerns that certain developments in relation to the Company could constitute a significant change to the nature of FGF's activities, to which ASX Listing Rule 11.1 may apply (**Chapter 11 Request**). ASX requested that FGF provide written submissions in relation to its operating activities so that ASX could determine whether there has been a change in nature of FGF's activities such that ASX should exercise its discretion under ASX Listing Rule 11.1.2 or 11.1.3.

Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX regarding the change and its effect on future potential earnings, and any information that ASX asks for. Further if there has been a significant change to the nature or scale of an entity's activities:

- (a) ASX may require the entity to get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting (Listing Rule 11.1.2); and
- (b) ASX may require the entity to meet the requirements in chapters 1 and 2 as if the entity were applying for admission to the official list (effectively a re-compliance listing) (Listing Rule 11.1.3).

The Company had previously confirmed to the market in early 2018 that it operated as an investment company and that its main undertaking was investing in different assets and classes and that it sought to have a variety of different investments across a diverse portfolio of assets. At that time, the Company also confirmed that it continued to assess investment opportunities in the emerging markets of Blockchain and cryptocurrencies as well as in other sectors. On 28 February 2018, the Company provided an investment strategy update to the market in which it noted that the then intended investment strategy for its cash reserves and assets was to invest up to 12% in unlisted Blockchain entities and up to 20% in pre-ICO and ICO investments.

Since receipt of the Chapter 11 Request, the Company has consulted with, received further requests for information from, and provided numerous submissions to, the ASX regarding its operations and activities, as the Company was of the view that there had not been a significant change to the nature of FGF's activities to which ASX Listing Rule 11.1 applied.

As a result of the extent of requests received from ASX and the level of corresponding submissions and documents provided by the Company to ASX in response to the Chapter 11 Request, it has taken quite a long period of time for the position in respect to the Chapter 11 Request to be finalised.

Chapter 11 Determination

The Company has now received ASX's determination in response to the Chapter 11 Request which is as follows:

- (a) ASX has concluded that there has been a significant change in the nature of FGF's activities in terms of Listing Rule 11.1.
- (b) Specifically, ASX has formed the view that FGF's main undertaking has become investments in, and providing advisory services to, entities engaged in ICOs and pre-ICOs, cryptocurrency, and blockchain-related technologies, and that this constitutes a significant change in the character of FGF's main undertaking from 'investing in different assets and classes'.
- (c) ASX has further concluded that:
 - FGF has breached an investment limit previously set out to ASX (refer to the 28 February 2018 announcement), namely that it invest no more than 12% of its assets in equity investments in unlisted entities which are involved in, developing or utilising blockchain technologies. (In mid February - late May 2019, FGF had investments in unlisted Blockchain entities of 13% (rather than 12%). The reason for this increase was that after FGF had entered a binding and unconditional Heads of Agreement with HT8 for the sale of LINCD in January, FGF made an investment in Globex (being an unlisted Blockchain entity) in mid-February which lifted investments in this class by 1% until the sale of LINCD completed at the end of May, at which point investments in unlisted Blockchain entities dropped back to being no more than 12% of assets.)
 - FGF has invested in other blockchain and digital currency assets via some of its investments in listed equities. (In this regard FGF's investments in YPB, HT8 and CCP Technologies Limited (CT1) have been characterised as investments in a listed entity engaged in blockchain-related technologies (which falls within the broader category of ICOs and pre-ICOs, cryptocurrency, and blockchain-related technologies) rather than a general investment in listed equities. In the investment strategy released by the Company on 28 February 2018, the Company had included asset classes in small cap and top 50 listed entities only, however, ASX has determined that there should be an additional asset class for listed entities that are engaged in Blockchain-related technologies which is to be treated separately to general listed investments.)
 - FGF has provided advisory services to entities engaged in ICOs and pre-ICOs, cryptocurrency, and blockchain-related technologies. The consideration for the provision of some of these services has been in the form of digital currency assets which has, in turn, further increased FGF's holdings of such assets.

In this regard, FGF made various submissions to ASX regarding its view on its compliance with the parameters set out in the ASX announcement of 28 February 2018, however, ASX has ultimately not accepted FGF's characterisation of the class of assets for some of its investments, nor FGF's calculation of the percentage of its assets invested in the classes of assets referred to in the preceding paragraph.

- (d) ASX has therefore determined that FGF will be required under Listing Rule 11.1.2 to seek security holder approval for the significant change in the nature of FGF's activities (see below for further information in this regard).
- (e) ASX has reserved its decision as to whether it will exercise its discretion under Listing Rule 11.1.3 to require FGF to re-comply with all of the requirements of chapters 1 and 2 of the Listing Rules. FGF will be making further submissions to ASX in this regard and it is expected that the ASX will consider these submissions in conjunction with any other information requested from FGF, before the ASX reaches a concluded view on this matter. At this stage, the Company is not able to provide an indicative date for finalisation of this determination by ASX, but will provide an update in due course.

Shareholder approval

The Company will now be taking steps to convene the requisite meeting in order to seek shareholder approval as required by Listing Rule 11.1.2 in consultation with ASX. The Company is not presently able to provide an indicative date for this meeting, but will provide an update in due course.

Continued suspension

Following the Chapter 11 determination made by ASX, the Company's securities will remain suspended until:

- (a) it obtains security holder approval for the significant change to the nature of FGF's activities; and
- (b) if ASX ultimately exercises its discretion under Listing Rule 11.1.3 to require re-compliance with the admission and quotation requirements in Chapters 1 and 2 of the Listing Rules, FGF has re-complied with those requirements.

The Board appreciates that this process has taken quite some time to work through with the ASX since the suspension commenced in early April. The Board also understands the frustration of shareholders in remaining suspended and being unable to trade in the Company's securities. It is also recognised that the Company has not been in a position to provide an update to shareholders regarding the suspension until now, however, the Company

was unfortunately not in a position to provide such an update until the ASX had issued their determination in respect of the Chapter 11 Request.

The Board thanks all shareholders for their loyalty and ongoing support and will continue working with the ASX in order to have the Company's securities reinstated to quotation as quickly as possible.

[end]