

FIRST GROWTH FUNDS LIMITED (CSE:FGFL)
Management Discussion and Analysis
For the twelve months ended June 30, 2021

(All values are expressed in Australian dollars unless otherwise specified)

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FIRST GROWTH FUNDS LIMITED (CSE:FGFL)
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1.1 – Date and Basis of Discussion & Analysis

This management discussion and analysis (“MD&A”) is dated as of 1 October, 2021 and should be read in conjunction with the audited annual financial statements of First Growth Funds Limited for the year ended June 30, 2021 (“the Financial Statements”). The Financial Statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). Unless expressly stated otherwise, all financial information is presented in Australian dollars.

1.2 – Corporate information

Business Structure

The Company was incorporated on 14 October 1986 under the *Corporations Act* (Australia) with Australian company number (“ACN”) 006 648 835 It went through several name changes: and on 29 March 2011 the name was changed to the current name, First Growth Funds Limited. Its head office and registered offices are located at Level 14, 440 Collins Street Melbourne, Victoria 3000, Australia.

Wholly owned Subsidiary companies:

- 1) ICO-AN Pty Ltd., incorporated on 17 November 2017 pursuant to the *Corporations Act* (Australia).
- 2) First Growth Advisory Pty Ltd., (“FGA”) incorporated 8 December 2018 pursuant to the *Corporations Act* (Australia).

Nature of Business

First Growth Funds Limited invests across a broad range of asset classes including listed equities, private equity, blockchain and digital assets. The company also operates an advisory business providing corporate advisory, capital raising and capital markets support to its portfolio.

Bankruptcy, Receivership, Receiverships, Restructuring

There have not been any bankruptcy, receivership or similar proceedings against the Company or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings, material restructuring transactions by the Company or any of its subsidiaries, any within the two most recently completed financial years.

Social, Environmental Policies, Seasonal Issues

There are no social and environmental policies or seasonal and environmental issues that have or are expected to affect the Company and its business.

Material Restructurings

There have not been any material restructuring of the Company in the last three years.

Acquisitions

See “*Description of the Business*” including the asset allocation section

Trends

See “*1.4 Selected Annual Information*”

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DESCRIPTION OF THE BUSINESS

Overview

First Growth Funds Limited invests across a broad range of asset classes including listed equities, private equity, blockchain and digital assets. The company also operates an advisory business providing corporate advisory, capital raising and capital markets support to its portfolio.

Under Australian Corporations Law, any company engaged in dealing with securities needs to either (i) hold an AFSL license or (ii) be registered as a Corporate Authorized Representative of an AFSL holder. The Company presents investment opportunities to accredited investors in Australia for which it earns commission fees and is licensed for this activity pursuant to its arms-length agreement dated 31 December 2018 with SLM Corporate Pty. Ltd.

Investment portfolio

The Company manages an active portfolio listed and unlisted securities across international borders and various industries including technology, medical, mining and oil and gas sectors. Investments actions include on-market trading and participation in pre or post IPO placements. In some cases the Company earns placement facilitation advisory fees.

Asset Allocation

Set out below is the asset allocations as at 30 June 2020, as at 31 December 2020 and 30 June 2021.

Asset type	Note	As at 30 Jun 2020		As at 31 Dec 2020		As at 30 June 2021	
		\$	%	\$	%	\$	%
Cash		4,349,321	47.7%	856,169	7.96%	1,046,661	11.65%
Current financial assets (listed)		3,126,095	34.2%	7,452,658	69.32%	5,726,591	63.75%
Current financial assets (unlisted)	i	-	0.00%	500,921	4.66%	500,956	5.58%
Non-current financial assets (unlisted)		1,608,557	17.6%	1,941,246	18.06%	1,660,949	18.49%
Inventories	ii	47,200	0.5%	0	0.00%	47,200	0.53%
Total		9,131,173	100.0%	10,750,994	100.00%	8,982,357	100.00%

Notes

- i. Current financial assets unlisted include convertible notes issued by YPB Systems Limited (ASX:YPB) expiring on 21 October 2021.
- ii. Inventories comprised Cryptocurrency (Ethereum tokens) held for resale and carried at cost. The Ethereum tokens were sold during the current quarter
- iii. New investments during the fiscal year totalled \$5,299,930.

Material Agreements

No new material agreements were entered into during the quarter ending 30 June 2021.

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1.4 – Selected Annual Information

	As at	June 30 2021	June 30 2020	June 30 2019
		\$	\$	\$
Current Assets		9,401,989	7,547,094	5,791,225
Other Assets		1,359,605	1,608,567	2,451,486
Total Assets		10,761,594	9,155,661	8,242,711
Current Liabilities		(75,610)	(127,681)	(149,070)
Net Assets		10,685,984	9,027,980	8,093,641
Shareholders' Equity		67,635,788	67,635,788	67,654,944
Deficit		(56,949,804)	(58,607,808)	(59,561,303)
Total Shareholders' Equity		10,685,984	9,027,980	8,093,641
Years Ended				
Revenue		1,017,552	305,290	235,464
Direct costs		(47,200)	(251,705)	(289,766)
Net income (loss) from continuing operations		970,352	53,585	(54,302)
Net income (loss) from investments*		1,869,370	2,240,253	(2,101,135)
Operating expenses		(1,181,718)	(1,359,499)	(1,761,086)
Comprehensive income (loss)		1,658,004	934,339	(3,916,523)

* The 2019 Net income (loss) from investments includes "Profit from discontinued operations" which was disclosed separately in the 2019 Audited Financial statements.

Cash dividends declared per Ordinary Share	-	-	-
Basic and diluted earnings per share (cents)	2.131	1.201	(5.058)
Weighted average number of Ordinary Shares outstanding*	77,798,218	77,798,218	77,434,265

* The weighted average number of Ordinary Shares have been adjusted pursuant to a share consolidation completed on December 2 2019, whereby, 1,555,959,281 Ordinary Shares were consolidated on the basis of one new Ordinary Share for 20 old Ordinary Shares. Post consolidation there were 77,798,218 shares on issue.

The profit for the Group after providing for income tax amounted to \$1,658,004 (30 June 2020: \$934,339).

For the year ended 30 June 2021, the net consolidated profit was \$1,658,004 (30 June 2020: \$934,339) and net cash outflow from operating activities was \$3,493,598 (2020: \$1,883,784 inflow from operating activities). Net cash outflow from operating activities includes net financial asset acquisitions totalling \$3,315,005 (2020: \$3,158,687 net proceeds from disposal).

As at 30 June 2021, total assets were \$10,761,594 (2020: \$9,155,661) and net assets were \$10,685,984 (2020: \$9,027,980).

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During the year ended 30 June 2021, the Group:

- recorded net income from continuing operations of \$970,352 (2020: \$53,585) including profit on sale of cryptocurrency \$859,852 (2020: \$1,870 loss), advisory fees and commissions of \$100,500 (2020: 45,455) and other income of \$10,000 (2020: \$10,000). The Group currently has no exposure to cryptocurrency assets.
- recorded net income from investments of \$1,869,370 (2020: \$2,240,253) comprising interest revenue \$55,155 (2020: \$95,680), net financial asset fair value gains \$1,747,530 (2020: \$2,798,472), recoveries from previously impaired assets \$103,437 (2020: \$638,252 impairment expense) and other losses \$36,712 (2020: \$15,627). The net financial asset gains include listed security net fair value gains totalling \$2,140,253 and unlisted security fair value losses totalling \$392,723. The Group recorded a fair value gain of \$3,922,601 from the Group's interest in Magnum Mining and Exploration Limited (ASX:MGU) acquired during the year. This was partly offset by a fair value loss of \$1,450,910 against the Group's 14.4% interest in SQID Technologies Limited (CSE: SQID). The unlisted security fair value losses totalling \$392,723 largely relate to losses booked against the Group's interest in the Canadian based Vello Technologies Inc following its unsuccessful application to list on the Canadian Securities Exchange (CSE). During the reporting period Vello Technologies Inc acquired the Australian based Vello Technologies under a share swap agreement. These losses were partly offset by fair value gains totalling \$384,031 from pre-IPO holdings including gains of \$271,970 from the investment in the United States based Helbiz Inc, which listed on nasdaq on 13 August 2021.
- incurred operating expenses of \$1,181,718 (2020: \$1,359,499). The decrease in the current reporting period is largely due to one off prior period legal, advisory and travel costs attributable to the prior year CSE listing application, partly offset by consulting fees paid to new Canadian based corporate and investor relations advisors appointed in August 2020.

Cash balances at the end of the reporting period were \$856,169 (30 June 2020: \$4,349,767). The decrease in cash balances of \$3,493,598 is largely due to on-going investments in listed and unlisted financial assets. The major investments during the year include Magnum Mining and Exploration Limited (ASX:MGU) \$1,519,898, SportsHero Limited (ASX:SHO) \$430,000, a pre-IPO convertible loan issued by Harranga Resources Limited \$500,000 and \$452,641 for the Canadian based Vello Technologies Inc which acquired the Australian based Vello Technologies Pty Ltd ("Vello"). Vello is set up to provide a fintech platform for social media that allows celebrities and influencers the opportunity to charge access for their premium content on social media.

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1.4 – Results of Operations

Quarters Ended	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Income (Loss) from continuing operations								
Revenue	911,752	47,000	56,000	2,800	259,835	-	45,455	-
Direct costs	(47,200)	-	-	-	(251,705)	-	-	-
Net income (loss) from continuing operations	864,552	47,000	56,000	2,800	8,130	-	45,455	-
Income (Loss) from investments								
Interest revenue	12,554	12,727	14,111	15,723	23,588	23,577	25,712	22,783
Dividend revenue	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	1,166,157	1,546,470	(766,778)	(204,130)	1,744,558	534,666	(56,649)	575,897
Asset impairments	-	100,243	3,194	-	(638,252)	-	-	-
Other gains and losses	(10,385)	(3,275)	(10,286)	(6,955)	(18,809)	3,182	-	-
Net income (loss) from investments	1,168,326	1,656,165	(759,759)	(195,362)	1,111,085	561,425	(30,937)	598,680
Net income (loss)	2,032,878	1,703,165	(703,759)	(192,562)	1,119,215	561,425	14,518	598,680
Operating expenses								
AFSL support fees	9,000	9,000	9,000	9,000	9,000	8,568	9,185	9,247
Director related costs	92,500	112,500	117,500	120,000	120,000	120,000	118,558	121,442
Director- share based payments	-	-	-	-	-	-	-	-
Insurance and professional fees	161,175	152,355	133,410	116,652	159,012	104,478	189,110	142,957
Listing and share registry fees	11,120	10,615	39,215	14,749	52,147	-	13,304	33,944
Travel expenses	13,832	-	-	-	(431)	-	17,539	39,595
Other expenses	11,644	12,081	14,416	11,954	6,364	35,165	45,081	5,234
Total operating expenses	299,271	296,551	313,541	272,355	346,092	268,211	392,777	352,419
Comprehensive Income (Loss)	1,733,607	1,406,614	(1,017,300)	(464,917)	773,123	293,214	(378,259)	246,261
Basic and diluted earnings cents per share (adjusted)**	2.228	1.808	(1.308)	(0.598)	0.969	0.402	(0.486)	0.317
Weighted average number of ordinary shares (adjusted)**	77,798,218	77,798,218	77,798,218	77,798,218	77,798,218	77,798,218	77,798,218	77,798,218

** On December 2 2019, the company completed a share consolidation of 1 new ordinary share for every 20 shares on issue

Three months ended June 30, 2021

Net comprehensive profit after income tax was \$1,733,607 (2020: \$773,123). In the previous quarter ended 31 March 2021, the reported profit was \$1,406,614.

During the three months ended 30 June 2021, the Group:

- recorded net income from continuing operations of \$864,552 (2020: \$8,130) including profit on sale of cryptocurrency \$859,852 relating to the profit on sale from the sale of cryptocurrency. The prior period balance relates to advisory fees.
- recorded net investment income of \$1,168,326 (2020: \$1,111,085). Net investment income includes \$2,250,000 (2020: Nil) fair value gains relating to the Magnum Mining and Exploration Limited (ASX:MGU) shares and options acquired during January and February 2021 and gains of \$322,000 from the investment in the United States based Helbiz Inc, which listed on nasdaq on 13 August 2021. Other major contributing items include fair value losses recorded against other ASX listed investments \$671,000, Vello investment \$567,000 and SQID Technologies Limited (CSE:SQID) \$149,000
- incurred operating expenses of \$299,271 (2020: \$346,092) The decrease over the prior corresponding period largely relates to professional fees incurred leading up to CSE listing on 29 June 2020.

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1.5 – Summary of Quarterly Financial Position

	As at	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19	30-Jun-19
Current Assets										
Cash and cash equivalents		856,169	1,046,661	2,297,952	3,468,203	4,349,767	2,793,980	3,221,037	3,095,294	2,255,897
Trade and other receivables		10,600	5,069	5,071	13,229	12,704	4,342	12,319	15,862	78,896
Inventory (cryptocurrencies)		-	47,200	47,200	47,200	47,200	937,156	685,452	685,452	685,452
Financial assets		7,953,579	6,227,547	2,998,421	3,680,251	3,126,095	2,999,964	1,559,547	2,049,695	2,560,894
Intangible assets		-	-	-	-	-	109,217	109,217	109,217	210,086
Other current assets		-	15,160	28,496	47,301	11,328	21,418	32,663	32,956	-
Total Current Assets		8,820,348	7,341,637	5,377,140	7,256,184	7,547,094	6,866,077	5,620,235	5,988,476	5,791,225
Non-Current Assets										
Financial assets		1,941,246	1,660,949	2,221,171	1,427,635	1,608,567	1,460,783	2,448,057	2,484,162	2,451,486
Intangible assets		-	-	-	-	-	-	-	-	-
Goodwill		-	-	-	-	-	-	-	-	-
Total Non-current Assets		1,941,246	1,660,949	2,221,171	1,427,635	1,608,567	1,460,783	2,448,057	2,484,162	2,451,486
Total Assets (Note 1)		10,761,594	9,002,586	7,598,311	8,683,819	9,155,661	8,326,860	8,068,292	8,472,638	8,242,711
Liabilities										
Current Liabilities										
Accounts payable		75,610	50,209	52,548	120,756	127,681	72,003	106,649	132,736	149,070
Total Current Liabilities		75,610	50,209	52,548	120,756	127,681	72,003	106,649	132,736	149,070
Total Liabilities		75,610	50,209	52,548	120,756	127,681	72,003	106,649	132,736	149,070
Net Assets		10,685,984	8,952,377	7,545,763	8,563,063	9,027,980	8,254,857	7,961,643	8,339,902	8,093,641
Equity										
Share Capital		67,635,788	67,635,788	67,635,788	67,635,788	67,635,788	67,635,788	67,635,788	67,635,788	67,635,788
Reserves		-	-	-	-	-	-	19,156	19,156	19,156
Retained Earnings		(56,949,804)	(58,683,411)	(60,090,025)	(59,072,725)	(58,607,808)	(59,380,931)	(59,693,301)	(59,315,042)	(59,561,303)
Total Equity		10,685,984	8,952,377	7,545,763	8,563,063	9,027,980	8,254,857	7,961,643	8,339,902	8,093,641

Note 1 Total assets reconciled to portfolio investments

	30-Jun-21	30-Jun-21	31-Mar-21	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19	30-Jun-19
Net assets	10,761,594	9,002,586	7,598,311	8,683,819	9,155,661	8,326,860	8,068,292	8,472,638	8,242,711
Other current assets	-	(15,160)	(28,496)	(47,301)	(11,328)	(21,418)	(32,663)	(32,956)	0
Receivables	(10,600)	(5,069)	(5,071)	(13,229)	(12,704)	(4,342)	(12,319)	(15,862)	(78,896)
Portfolio investments	10,750,994	8,982,357	7,564,744	8,623,289	9,131,629	8,301,100	8,023,310	8,423,820	8,163,815

During the quarter cash balances decreased by \$190,492 to \$856,169. The movement includes \$907,052 proceeds from the sale of cryptocurrency and a \$840,238 net financial asset investment. The new investments included Magnum Mining and Exploration Limited (ASX:MGU) of \$461,439, pre-IPO funding for Haranga Resources Limited in the form of a converting loan \$500,000 and put and call option arrangement in relation to Dotz Limited (ASX:DTZ) and unlisted foreign entity \$129,470.

1.6 – Liquidity and Capital Resources

As at 30 June 2021:

- the Company had current assets totalling \$9,401,989 (30 June 2020: \$7,547,094) and
- shareholder's equity of \$10,685,984 (30 June 2020: \$9,027,980).

1.7 – Off Balance Sheet Arrangements

As at 30 June 2021, there were no off-balance sheet arrangements to which the Group was committed.

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1.8 – Transactions with Related Parties

The Company has identified its directors and senior officers as its key management personnel. The following table provides the total amount of related party transactions and balances.

	Twelve months ended	
	June 30 2021	June 30 2020
Transactions**	\$	\$
Director fees (Parent)***		
Anoosh Manzoori	240,000	240,000
Geoff Barnes	60,000	60,000
Michael Clarke	60,000	60,000
Athan Lekkas	40,000	60,000
Other director fees (wholly owned subsidiaries)	42,500	60,000
	442,500	480,000
Advisory - Dalext Pty Ltd. ⁽²⁾	130,000	90,000
** <i>Director fees and Director related advisory fees are included in the Consolidated Statements of Comprehensive Income (Loss) included under the respective headings of Director Related Costs and Insurance and Professional fees.</i>		
*** <i>Director fees are paid to director-controlled entities</i>		
No post-employment benefits, other long-term benefits and termination benefits were paid.		
Balances	30 June 2021	30 June 2020
	\$	\$
Accounts Payable and accruals		
Polygon Fund Pty Ltd. ⁽¹⁾	20,000	20,000
Dalext Pty Ltd. ⁽²⁾	5,000	-
	25,000	20,000

⁽¹⁾ Polygon Funds Pty Ltd is a company controlled by Anoosh Manzoori, a FGF director.

⁽²⁾ Dalext Pty Ltd. is a company controlled by Athan Lekkas, a FGF director.

Ordinary shares held by directors

Name**	Opening balance	Movements	Balance as at June 30 2021
Geoff Barnes	6,400,000	-	6,400,000
Michael Clarke	751,516	-	751,516
Athan Lekkas	2,037,274	-	2,037,274
Anoosh Manzoori	4,846,756	-	4,846,756
	14,035,546		14,035,546

** *Balances held by directors and/or director-controlled entities.*

The directors do not hold any options.

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Other director positions held by directors

Director	Other directorships held	FGFL Relationship	Other transactions or balances
Michael Clarke	SQID Technologies Limited (CSE:SQID)	FGFL holds a 14.2% interest in	Nil
Athan Lekkas	SQID Technologies Limited (CSE:SQID)	SQID	
Michael Clarke	Icon Esports Pty Ltd	Effective from February 1 2021,	Nil
Athan Lekkas	Icon Esports Pty Ltd	SQID holds a 50% interest in ICON	
Anoosh Manzoori	Constellation Technologies Limited (ASX:CT1)	FGFL holds a 2.2% interest in CT1 plus unlisted options representing an additional potential 1.1% interest	Nil

1.9 Fourth Quarter – refer to section 1.4.

1.10 – Proposed Transactions

The Group has no proposed transactions as at the date of this document.

1.11 – Critical Accounting Estimates

Refer to the Audited Financial Statements for the year ended 30 June 2021 - Note 2. Critical accounting judgements, estimates and assumptions.

1.12 – Changes in Accounting Policies – International Financial Reporting Standards (“IFRS”)

There have been no changes in accounting policies during the reporting period.

1.13 – Financial Instruments and Other Instruments

Part A Financial Risk Management

Refer to the Audited Financial Statements for the year ended 30 June 2021 - Note 15. Financial risk management.

Part B Fair Value Measurement

Refer to the Audited Financial Statements for the year ended 30 June 2021 - Note 16. Fair value measurement.

1.14 – Other MD&A Requirements

Share Capital

There were no changes in Share Capital during the reporting period.

Refer to the Audited Financial Statements for the year ended 30 June 2021 - Note 13. Issued capital.

Share Options – now expired

Options granted during the period form part of the consideration for services rendered under investor relations and corporate advisory consulting arrangements. Each option carried the right to acquire one fully paid ordinary share. The terms attached to the now expired options are set out below:

	Tranche 1	Tranche 2
Grant date	4 August 2020	6 August 2020
Number granted	500,000	500,000
Exercise price (Canadian dollars)	\$0.28	\$0.28
Expiry date	4 August 2021	6 August 2021

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1.15– Subsequent events

1. On 13 July 2021 Vello Technologies Inc (an investee company) agreed to unwind a share swap agreement which will result in the cancellation of 20 million shares and effectively return the ownership of Vello Technologies Pty Ltd back to the Australian shareholders. The cancellation of the shares will result in the Group holding a greater than 20% interest in Vello Technologies Inc and thereby in a position to exert significant influence which will require the Group to equity account its Vello related interests in subsequent reporting periods.
2. At 6 August 2021 the 1,000,000 options issued to third parties in August 2020 had lapsed. The Group now has no outstanding options on issue.
3. On 13 August 2021 investee company Helbiz, Inc. ("Helbiz"), a global leader in micro-mobility, began trading on Nasdaq under the ticker HLBZ. As at 28 September 2021, the value of the Company's 38,762 shares held had increased 86% from listing date to \$1,052,030.
4. As at 28 September 2021 the trading price of Magnum Mining Exploration Limited shares and options (ASX:MGU, ASX:MGUO) and had fallen 61% and 77% respectively resulting in a \$3,490,700 decrease in the carrying value of the investment to \$1,951,800.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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RISK FACTORS AND UNCERTAINTIES

An investment in the Ordinary Shares of the Company should only be made by persons who can afford a significant or total loss of their investment.

Risk of No Return on Investment: There is no assurance that the business of the Company will continue to be operated successfully, or that the business will continue to generate sufficient or any income to meet its obligations. There is no assurance that an investment in the Ordinary Shares will earn a specified rate of return or any return over the life of the Company.

Global Financial Conditions: Global financial conditions over the last few years have been characterized by volatility and the bankruptcy of several financial institutions or the rescue thereof by governmental authorities. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favorable to it. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such levels of volatility and market turmoil continue, the operations of the Company may suffer adverse impact and the price of the Ordinary Shares may be adversely affected

Risks Specific to the Company

Reliance on the Directors and Officers: The Company has a small management team composed of the directors and the unexpected loss of any of these individuals would have a serious impact on the business. They are responsible for the successful operation of the Company. At present, there is no key-man insurance in place for any members of the management team. The loss of services of any of these personnel to develop the business and make appropriate decisions in respect of the management thereof could have a material adverse effect on the business of the Company.

Covid 19 Virus Disruption: The Company operates in three areas: (i) it provides advisory services to listed and unlisted companies, (ii) it is licensed in Australia to present investment opportunities to accredited investors in Australia and earn commission fees and invests across a diversified portfolio of different asset classes. These three items are all affected as the companies involved in each area are likely to be negatively affected directly or indirectly by the Covid 19 Virus.

Conflicts of Interest: The directors and officers of the Company are not in any way limited or affected in their ability to carry on other transactions or business ventures for their own account or for the account of others, and may be engaged in the ownership, acquisition and operation of businesses, which compete with the Company. Investment in the Company will not carry with it the right for either the Company or an investor to invest in any investment or venture of the directors and officers of the Company, or to any profit therefrom or to any interest therein. The directors have a responsibility to identify and acquire suitable investments on behalf of the Company. To the extent that an opportunity arises to enter into such an agreement, the directors of the Company have the discretion to determine whether the Company will avail itself of the investment opportunity and, if it does not, any of the directors of the Company will be able to decide amongst themselves whether to pursue the opportunity for their respective accounts. If the investment opportunity did not arise solely from their activities on behalf of the Company, the directors of the Company have no obligation to offer an investment opportunity to the Company. Future conflicts of interest will be dealt with in accordance with applicable laws, statutes and regulations.

RISK FACTORS AND UNCERTAINTIES (cont.)

Operational Risks: The Company will be affected by several operational risks against which it may not be adequately insured or for which insurance is not available, including: catastrophic accidents; fires; changes in the regulatory environment; impact of non-compliance with laws and regulations; labour disputes; natural phenomena such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's premises, personal injury or

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death, environmental damage, resulting in adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and future cash flows, earnings and financial condition. The Company may also be subject to or affected by liability or sustain loss risks and hazards against which it cannot insure or which it may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Technology Risk: The Company's assets may be susceptible to rapid technological change and there is no assurance that adequate responses will be made in a timely manner.

Management of Growth: The Company may experience a period of significant growth that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and directors to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train motivate and manage additional future staff. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations. There are no plans to hire additional staff at this time.

Increases in Competition: There is significant competition from other much larger well-established successful investment companies with larger staff and resources to evaluate investment opportunities, in particular established financial institution such as banks. There is no assurance that the Company's investment strategy will be successful or more successful than its competition. Any material deterioration in the Company's competitive position could materially adversely affect the Company's business, operating and financial performance.

Exposure to Adverse Macroeconomic Conditions: The Company is exposed to changes in general economic conditions in Australia and internationally and is affected by macroeconomic conditions such as tariffs and other trade barriers, economic recessions, downturns or extended periods of uncertainty or volatility all of which may materially adversely affect the Company's business, operating and financial performance.

Acquisition Risk and Associated Risk of Dilution: The Company's possible expansion strategy includes pursuing acquisitions. The successful implementation of acquisitions will depend on a range of factors including acquisition costs, funding arrangements, business cultural compatibility and operational integration. To the extent acquisitions are not successfully integrated with the Company's existing business, the financial performance of the Company could be materially adversely affected. Future acquisitions may involve the issue of Ordinary Shares for consideration. In this event, Shareholders' interests will be diluted. Ordinary Shares may also be issued for other purposes such as debt reduction. Effective due diligence by the Company is ongoing to minimize the risk in integrating acquisition targets although this cannot be guaranteed. There are no specific acquisitions proposed at this time.

Currency Exchange Risk: The Company is exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. In particular, exchange rate fluctuations may affect the value of its assets located in North America and Cryptocurrencies are generally sold in U.S. dollars.

Unforeseen Expenses: All expenses that the Company is aware of are taken into account. There is a risk that unforeseen expenses may develop which could materially negatively affect the business operations.

Permits and Government Regulations: There are currently no permits or government regulations in Australia that affect the Company's operations beyond business license requirement and the requirements of the Corporations Act, 2001.

Environmental and Safety Regulations and Risks, Climate Change: There are currently no environmental laws and regulations affect the operations of the Company. None are anticipated as the Company's does not have physical operations other than business offices. The Company, like all other businesses and persons in the world is exposed to the effects of climate change. The direct effects on the Company's business is not foreseeable at this time.

List Not Exhaustive: The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by Shareholders. The above factors and others not specifically referred to above may in the future materially affect the financial performance of the Company and the value of the shares.

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RISK FACTORS AND UNCERTAINTIES (cont.)

Previously noted Blockchain and digital currency risks.

The Company currently has no exposure to this asset class.

Digital Assets Risks: Lack of regulation, acceptance, price stability and volatility.

Lack of Regulation: Cryptocurrency exchanges and other trading venues are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure. To the extent that Cryptocurrency exchanges or other trading venues are involved in fraud or experience security failures or other operational issues, this could result in a reduction in Cryptocurrency prices. Cryptocurrency market prices depend, directly or indirectly, on the prices set on exchanges and other trading venues, which are new and, in most cases, largely unregulated as compared to established, regulated exchanges for securities, derivatives and other currencies. In the past several years, a number of Cryptocurrency exchanges have been closed due to fraud, business failure or security breaches. In many of these instances, the customers of the closed exchanges were not compensated or made whole for the partial or complete losses of their account balances in such exchanges. While smaller exchanges are less likely to have the infrastructure and capitalization that provide larger exchanges with additional stability, larger exchanges may be more likely to be appealing targets for hackers and “malware” (i.e., software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems) and may be more likely to be targets of regulatory enforcement action.

Lack of Acceptance: Traditional banks and banking services may limit or refuse the provision of banking services to businesses that supply Cryptographic or Cryptocurrencies as payment and may refuse to accept money derived from Cryptocurrency-related businesses. This may make management of bank accounts held by companies operating in the field difficult.

Competition: All aspects of the Digital Currency and Blockchain industries – in particular the development of pre-ICO, ICOs, digital currency security providers and digital currency exchanges face significant competition. The rapid pace of innovation and development within the industry, together with the high number of competitors and relatively low barriers to market entry mean there is no guarantee the Company’s ventures in these industries will be effective or profitable. Refer to the Company’s prospectus to which this MD&A is attached for a list of competitors.

Legal and Regulatory Risk: A key concern often raised about digital currency is its ability to hinder or evade law enforcement and facilitate criminal activity due to users being anonymous and the transactions are outside the usual channels of international finance and government regulation. It is unclear what the regulatory response will be and whether that response will seriously impact the digital current market.

Valuation and Price Volatility of Cryptocurrencies: Cryptocurrency prices are highly volatile, can fluctuate substantially and are affected by numerous factors beyond the Company’s control, including hacking, demand, inflation and expectations with respect to the rate of inflation, global or regional political or economic events. Cryptocurrencies may be subject to momentum pricing, which is typically associated with growth stocks and other assets whose valuation, as determined by the investing public, accounts for anticipated future appreciation in value. Cryptocurrency market prices are determined primarily using data from various exchanges, over-the-counter markets, and derivative platforms. Momentum pricing may have resulted, and may continue to result, in speculation regarding future appreciation in the value of Cryptocurrencies, inflating and making their market prices more volatile. As a result, they may be more likely to fluctuate in value due to changing investor confidence in future appreciation (or depreciation) in their market prices, which could adversely affect the value of the Company’s investments.

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DISCLAIMER FOR FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements or information. The forward-looking statements and information are based on certain key expectations and assumptions made by management of the Company.

Forward-looking statements and information are provided for the purpose of providing information about the current expectations and plans of management of the Company relating to the future. Readers are cautioned that reliance on such statements and information may not be appropriate for other purposes, such as making investment decisions. Since forward-looking statements and information address future events and conditions, by their very nature they involve risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Accordingly, readers should not place undue reliance on the forward-looking statements, timelines and information contained in this news release. Readers are cautioned that the foregoing list of factors is not exhaustive.

The forward-looking statements and information contained in this news release are made as of the date hereof and no undertaking is given to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Canadian Securities Exchange. The forward-looking statements or information contained in this news release are expressly qualified by this cautionary statement.

APPROVAL

The Board of Directors of the Company approved the disclosure contained in this MD&A on 1 October 2021.