

FIRST GROWTH FUNDS LIMITED (CSE:FGFL)

Management Discussion and Analysis

For the three months ended March 31, 2022

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

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FIRST GROWTH FUNDS LIMITED (CSE:FGFL)

Management Discussion and Analysis

For the three months ended March 31, 2022

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

1.1 – Date and Basis of Discussion & Analysis

This management discussion and analysis (“MD&A”) is dated as of 24 May 2022 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 311 Hay Street Subiaco, Western Australia 6008, Australia.

Wholly owned Subsidiary companies:

- 1) First Growth Advisory Pty Ltd., (“FGA”) incorporated 8 December 2018 pursuant to the *Corporations Act* (Australia).
- 2) ICO-AN Pty Ltd., incorporated on 17 November 2017 pursuant to the *Corporations Act* (Australia) – Deregistered as at 10 February 2022

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 proceeding by the Company or any of its subsidiaries, within the two most recently completed financial years. Except for the deregistration of ICO-AN Pty Ltd, there has not been any material restructuring transactions.

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

Except for the deregistration of ICO-AN Pty Ltd, 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 “1.3 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 30 June 2021 and 31 March 2022.

Asset type	Note	As at 30 Jun 2020		As at 30 June 2021		As at 31 March 2022	
		\$	%	\$	%	\$	%
Cash		4,349,321	47.7%	856,169	7.96%	514,701	7.59%
Current financial assets (listed)		3,126,095	34.2%	7,452,658	69.32%	5,370,580	79.21%
Current financial assets (unlisted)	i	-	0.00%	500,921	4.66%	-	0.00%
Non-current financial assets (unlisted)		1,608,557	17.6%	1,941,246	18.06%	840,170	12.39%
Equity accounted investments		-	0.00%	-	0.00%	54,637	0.81%
Inventories	ii	47,200	0.5%	-	0.00%	-	0.00%
Total		9,131,173	100.0%	10,750,994	100.00%	6,780,088	100%

Notes

- i. Current financial assets unlisted include convertible notes issued by YPB Systems Limited (ASX:YPB) expiring on 18 November 2021.
- ii. Inventories comprised Cryptocurrency (Ethereum tokens) held for resale and carried at cost. The Ethereum tokens were sold during the June 2021 quarter

Material Agreements

No new material agreements were entered into during the quarter ending 31 March 2022.

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1.3– Selected Annual Information - NA

1.4 – Results of Operations

Quarters Ended	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
Income (Loss) from continuing operations								
Revenue	-	-	-	911,752	47,000	56,000	2,800	259,835
Direct costs	-	-	-	(47,200)	-	-	-	(251,705)
Net income (loss) from continuing operations	-	-	-	864,552	47,000	56,000	2,800	8,130
Income (Loss) from investments								
Interest revenue	172	73,166	12,616	12,554	12,727	14,111	15,723	23,588
Dividend revenue	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	(712,068)	582,509	(3,221,410)	1,171,968	1,546,470	(766,778)	(204,130)	1,744,558
Asset impairments	-	-	-	-	100,243	3,194	-	(638,252)
Other gains and losses	16,061	(1,819)	1,180	(16,196)	(3,275)	(10,286)	(6,955)	(18,809)
Net income (loss) from investments	(695,835)	653,856	(3,207,614)	1,168,326	1,656,165	(759,759)	(195,362)	1,111,085
Net income (loss)	(695,835)	653,856	(3,207,614)	2,032,878	1,703,165	(703,759)	(192,562)	1,119,215
Operating expenses								
AFSL support fees	9,546	9,000	9,000	9,000	9,000	9,000	9,000	9,000
Director related costs	94,757	90,000	92,500	92,500	112,500	117,500	120,000	120,000
Director- share based payments	-	-	-	-	-	-	-	-
Insurance and professional fees	107,639	97,651	112,337	161,175	152,355	133,410	116,652	159,012
Listing and share registry fees	6,614	34,922	11,676	11,120	10,615	39,215	14,749	52,147
Travel expenses	-	-	-	13,832	-	-	-	(431)
Other expenses	(15,325)	11,931	13,747	11,644	12,081	14,416	11,954	6,364
Total operating expenses	203,231	243,504	239,260	299,271	296,551	313,541	272,355	346,092
Comprehensive Income (Loss)	(899,066)	410,352	(3,446,874)	1,733,607	1,406,614	(1,017,300)	(464,917)	773,123
Basic and diluted earnings cents per share (adjusted)**	(1.156)	0.527	(4.431)	2.228	1.808	(1.308)	(0.598)	0.969
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

Three months ended March 31, 2022

Net comprehensive loss after income tax was \$899,066 (2021: Net comprehensive income of \$1,406,614).

During the three months ended 31 March 2022, the Group:

- recorded net income from continuing operations of \$Nil (2021: \$47,000) relating to advisory fees.
- recorded net investment losses of \$695,835 (2021: Net investment income of \$1,703,165). The net loss for the current quarter includes:
 - material fair value losses:
 - \$506,000 attributable to the investment in Magnum Mining and Exploration Limited (ASX:MGU) shares and options,
 - \$133,000 attributable to the investment in the NASDAQ listed Helbiz Inc, (HLBZ) shares,
 - \$57,000 attributable to the investment in EV Resources Limited (ASX:EVR) shares.
- incurred operating expenses of \$203,231 (2021: \$296,551).

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Management Discussion and Analysis

For the three months ended March 31, 2022

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

Nine months ended March 31, 2022

Net comprehensive loss after income tax was \$3,935,588 (2021: \$75,603).

During the nine months ended 31 March 2022, the Group:

- recorded net income from continuing operations of \$Nil (2021: \$105,800) relating to advisory fees.
- recorded net investment losses of \$3,249,593 (2021: Net investment income of \$701,044). The net loss for the current quarter includes:
 - material fair value gains:
 - \$285,000 attributable to the investment in EV Resources Limited (ASX: EVR) shares,
 - \$185,000 attributable to the investment in Sportshero Limited (ASX: SHO) shares,
 - \$101,000 attributable to the investment in Kleos Space S.A (ASX: KSS) shares.
 - material fair value losses:
 - \$3,390,000 attributable to the investment in Magnum Mining and Exploration Limited (ASX:MGU) shares and options,
 - \$302,000 attributable to the investment in Constellation Technologies Limited (ASX: CT1) shares.
- incurred operating expenses of \$685,995 (2021: \$882,447) The decrease over the prior corresponding period largely relates to lower overall professional fees and a reduction in director related costs following the retirement of the external directors in First Growth Advisory Pty Ltd during the previous fiscal year. It should also be noted that in the previous fiscal year director Athan Lekkas remuneration changed from a mix of director and consulting fees to consulting fees only.

FIRST GROWTH FUNDS LIMITED (CSE:FGFL)

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1.5 – Summary of Quarterly Financial Position

	As at	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
Current Assets									
Cash and cash equivalents		514,701	1,093,153	810,548	856,169	1,046,661	2,297,952	3,468,203	4,349,767
Trade and other receivables		17,962	10,206	26,029	10,600	5,069	5,071	13,229	12,704
Inventory (cryptocurrencies)		-	-	-	-	47,200	47,200	47,200	47,200
Financial assets		5,383,193	5,676,408	5,609,673	8,535,220	6,227,547	2,998,421	3,680,251	3,126,095
Intangible assets		-	-	-	-	-	-	-	-
Other current assets		19,544	39,089	50,541	-	15,160	28,496	47,301	11,328
Total Current Assets		5,935,400	6,818,856	6,496,791	9,401,989	7,341,637	5,377,140	7,256,184	7,547,094
Non-Current Assets									
Financial assets		827,557	856,989	815,370	1,359,605	1,660,949	2,221,171	1,427,635	1,608,567
Equity accounted investments		54,637	55,724	-	-	-	-	-	-
Intangible assets		-	-	-	-	-	-	-	-
Goodwill		-	-	-	-	-	-	-	-
Total Non-current Assets		882,194	912,713	815,370	1,359,605	1,660,949	2,221,171	1,427,635	1,608,567
Total Assets (Note 1)		6,817,594	7,731,569	7,312,161	10,761,594	9,002,586	7,598,311	8,683,819	9,155,661
Liabilities									
Current Liabilities									
Accounts payable		67,198	82,107	73,051	75,610	50,209	52,548	120,756	127,681
Total Current Liabilities		67,198	82,107	73,051	75,610	50,209	52,548	120,756	127,681
Total Liabilities		67,198	82,107	73,051	75,610	50,209	52,548	120,756	127,681
Net Assets		6,750,396	7,649,462	7,239,110	10,685,984	8,952,377	7,545,763	8,563,063	9,027,980
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
Reserves		-	-	-	-	-	-	-	-
Retained Earnings		(60,885,392)	(59,986,326)	(60,396,678)	(56,949,804)	(58,683,411)	(60,090,025)	(59,072,725)	(58,607,808)
Total Equity		6,750,396	7,649,462	7,239,110	10,685,984	8,952,377	7,545,763	8,563,063	9,027,980

Note 1 Total assets reconciled to portfolio investments

	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	30-Jun-21	31-Mar-21	30-Sep-20	30-Jun-20
Net assets	6,750,396	7,649,462	7,239,110	10,685,984	8,952,377	7,545,763	8,563,063	9,027,980
Other current assets	(19,544)	(39,089)	(50,541)	-	(15,160)	(28,496)	(47,301)	(11,328)
Receivables	(17,962)	(10,206)	(26,029)	(10,600)	(5,069)	(5,071)	(13,229)	(12,704)
Accounts payable	67,198	82,107	73,051	75,610	50,209	52,548	120,756	127,681
Portfolio investments	6,780,088	7,682,274	7,235,591	10,750,994	8,982,357	7,564,744	8,623,289	9,131,629

1.6 – Liquidity and Capital Resources

As at 31 March 2022:

- the Company had current assets totalling \$5,935,400 (30 June 2021: \$9,401,989) and
- shareholder's equity of \$6,750,396 (30 June 2021: \$10,685,984).

The decrease in capital resources is attributable to the net fair value losses described above.

1.7 – Off Balance Sheet Arrangements

As at 31 March 2022, there were no off-balance sheet arrangements to which the Group was committed.

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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.

Transactions**	Nine months ended	
	Mar 31 2022	Mar 31 2021
	\$	\$
Director fees (Parent)***		
Anoosh Manzoori	180,000	180,000
Geoff Barnes	45,000	45,000
Michael Clarke	45,000	45,000
Athan Lekkas	-	45,000
Other director fees (wholly owned subsidiaries)	2,500	35,000
	272,500	350,000
Advisory - Dalext Pty Ltd. ⁽²⁾	157,500	60,000

** *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.*

*** *Director fees are paid to director-controlled entities*

No post-employment benefits, other long-term benefits and termination benefits were paid.

Balances	Mar 31 2022	Mar 31 2021
	\$	\$
Accounts Payable and accruals		
Polygon Fund Pty Ltd ⁽¹⁾	20,000	20,000
Dalext Pty Ltd ⁽²⁾	-	5,000
Peloton Capital Pty Ltd ⁽³⁾	5,000	-

⁽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.

⁽³⁾ Peloton Capital Pty Ltd is a company controlled by Geoff Barnes, a FGF director.

Ordinary shares held by directors

Name**	Opening balance	Movements	Balance as at Mar 31 2022
Geoff Barnes	6,400,000	2,072,779	8,472,779
Michael Clarke	751,516	-	751,516
Athan Lekkas	2,037,274	-	2,037,274
Anoosh Manzoori	4,846,756	2,286,279	7,133,035
	14,035,546	4,359,058	18,394,604

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

The directors do not hold any options.

FIRST GROWTH FUNDS LIMITED (CSE:FGFL)**Management Discussion and Analysis****For the three months ended March 31, 2022*****(All values are expressed in Australian dollars unless otherwise specified)*****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 (<i>see subsequent events</i>)	
Michael Clarke	Icon Esports Pty Ltd	SQID holds a 100% interest in	Nil
Athan Lekkas	Icon Esports Pty Ltd	ICON (<i>see subsequent events</i>)	
Anoosh Manzoori	Constellation Technologies Limited (ASX:CT1)	FGFL holds a less than 5% interest in CT1 comprising shares and options	Nil

1.9 Fourth Quarter –not applicable***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***Financial risk management objectives*

The Group’s activities expose it to a number of financial risks, including market risk, credit risk and liquidity risk.

The Group's management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity, mindful of the cost of such measures and the competing demands of other investment. Risks are monitored through the use of sensitivity analysis for interest rate and foreign exchange risks and aging analysis for credit risk.

The Group identifies and evaluates mitigation activities for risk and to develop policy for risk management across all consolidated entity operations pursuant to written risk management principles approved by the Board.

Market risk

Market risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

- Currency risk
- Price risk
- Interest rate risk

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments would fluctuate due to changes in foreign exchange rates. The Group's exposure to foreign currency risk arises from financial assets held in United States of America and Canadian dollars.

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The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	31 Mar 2022	30 Jun 2021	31 Mar 2022	30 Jun 2021
Consolidated	\$	\$	\$	\$
US dollars	693,213	1,164,850	-	-
Canadian dollars	773,176	501,970	-	-
	<u>1,466,389</u>	<u>1,666,820</u>	<u>-</u>	<u>-</u>

The Group had assets denominated in foreign currencies of \$1,466,389 (June 2021: 1,666,820). The table below shows the Group profit before tax and equity impact of a 10% strengthening and 10% weakening of the Australian dollar as at the reporting date. The percentage change is the expected overall volatility of the significant currencies, which is based on an assessment of reasonable possible fluctuations taking into consideration movements over the previous 12 months and the spot rate as at reporting date.

Consolidated - 31 Mar 2022	% change	AUD strengthened Effect on		% change	AUD weakened Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
	%	\$	\$	%	\$	\$
USD Assets	10%	(69,321)	(69,321)	10%	69,321	69,321
CAD Assets	10%	(77,318)	(77,318)	10%	77,318	77,318
	10%	<u>(146,639)</u>	<u>(146,639)</u>	10%	<u>146,639</u>	<u>146,639</u>

Consolidated - 30 Jun 2021	% change	AUD strengthened Effect on		% change	AUD weakened Effect on	
		profit before tax	Effect on equity		profit before tax	Effect on equity
	%	\$	\$	%	\$	\$
USD Assets	10%	(115,536)	(115,536)	10%	115,536	115,536
CAD Assets	10%	(50,197)	(50,197)	10%	50,197	50,197
	10%	<u>(165,733)</u>	<u>(165,733)</u>	10%	<u>165,733</u>	<u>165,733</u>

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Price risk

The Group's exposure to equity securities price risk arises from investments classified in the balance sheet as listed and unlisted equities at fair value through profit or loss.

Based on this exposure, had the share prices increased or decreased by 10% the impact on the Group's result before tax and net assets would have been:

Consolidated - 31 Dec 2021	% change	Average price increase		% change	Average price decrease	
		Effect on profit before tax	Effect on equity		Effect on profit before tax	Effect on equity
	%	\$	\$	%	\$	\$
Listed securities	10%	<u>537,058</u>	<u>537,058</u>	10%	<u>(537,058)</u>	<u>(537,058)</u>

Interest rate risk

Interest rate risk arises from the Group's interest-bearing financial assets and liabilities. The Group carries cash balances with major Australian Banks which are exposed to variable interest rates. The major Australian Banks all have Standard & Poor's credit ratings of AA-. The Australian Reserve Bank cash rate is less than 1%, accordingly the impact of a 10% movement in interest rates is deemed immaterial. The consolidated entity does not currently carry financial liabilities with variable interest rates.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument creating a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks and through exposures to wholesale and retail customers.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables. These provisions are considered representative across Group customers based on recent sales experience, historical collection rates and forward-looking information that is available.

The Group has a total credit risk exposure of \$700,000 (June 2021: \$1,000,921) on its convertible notes invested with various parties at reporting date. The Group will seek, where appropriate, to hold collateral as security against such investments. The Group has not impaired convertible note investments during either the current or previous reporting period.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Liquidity risk is the risk that the Group's operational performance will be adversely affected through the failure to satisfy an obligation for settlement of a financial transaction within contractual terms or that operational decisions made to ensure sufficient funding is available to meet such settlement will adversely affect the value of financial

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assets (including sale of financial assets at values less than their fair market values). The consolidated entity's predominant exposure to liquidity risk is through investments in overseas start-up businesses which can experience significant volatility whilst in their infancy.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 31 Dec 2021	%	\$	\$	\$	\$	\$
Non-derivatives						
Non-interest bearing						
Trade payables	-	67,198	-	-	-	67,198
Total non-derivatives	-	67,198	-	-	-	67,198
	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 30 Jun 2021	%	\$	\$	\$	\$	\$
Non-derivatives						
Non-interest bearing						
Trade payables	-	75,610	-	-	-	75,610
Total non-derivatives	-	75,610	-	-	-	75,610

Part B Fair Value Measurement

Refer to the Unaudited Condensed Interim Financial Statements for the period ended 31 March 2022 - Note 5. Fair value measurement.

1.14 – Other MD&A Requirements**Share Capital**

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

Share Options –NIL

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1.15– Subsequent events

No matter or circumstance has arisen since 31 March 2022 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.

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 death, environmental damage, resulting in adverse impacts on the Company's operations, costs, monetary losses,

RISK FACTORS AND UNCERTAINTIES (cont.)

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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.

Previously noted Blockchain and digital currency risks.

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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.

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

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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 24 May 2022.