



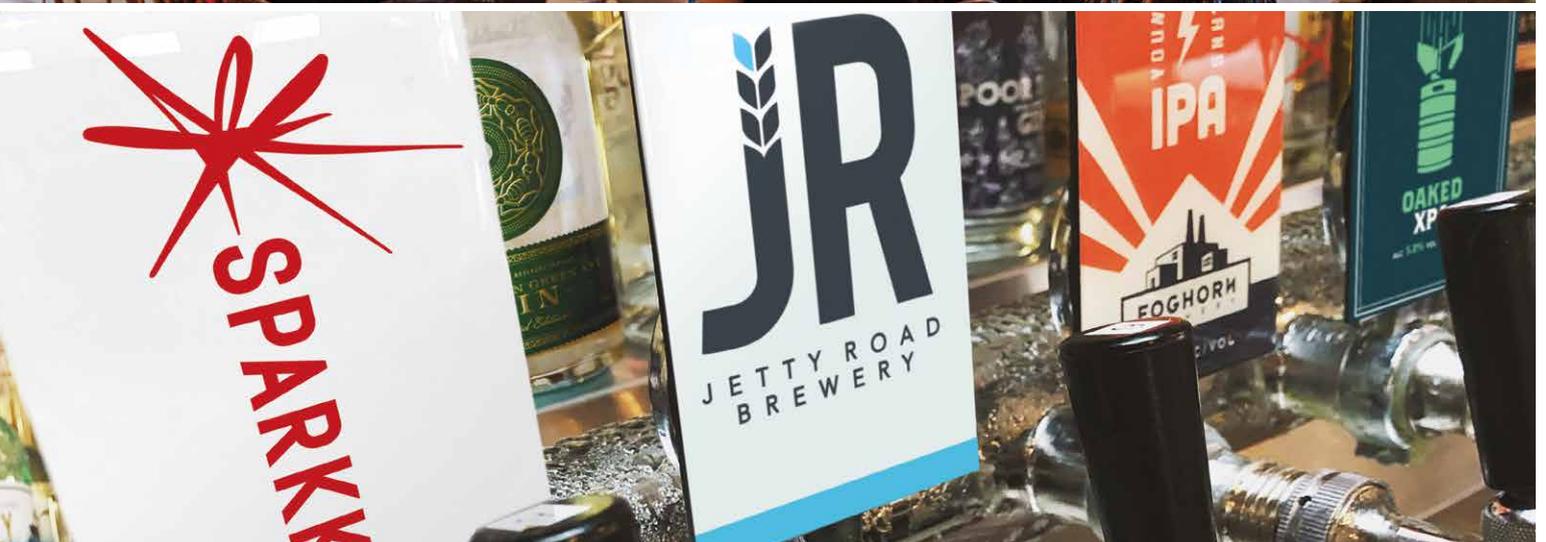
FOUNDERS FIRST

PROSPECTUS

For the initial public offering of between 20.0 million and 35.0 million fully paid ordinary shares in Founders First Ltd at an issue price of \$0.50 per share to raise between \$10.0 million and \$17.5 million.

FOUNDERS FIRST LIMITED

ACN 622 810 897



LEAD MANAGER

Bell Potter Securities Limited
ABN 25 006 390 772

LEGAL ADVISER

Coghlan Duffy + Co Lawyers
ABN 24 169 436 953

IMPORTANT NOTICES

OFFER

The Offer contained in this Prospectus is an invitation to acquire new fully paid ordinary Shares in Founders First Ltd ACN 622 810 897 (**Company**). This Prospectus is issued by the Company for the purpose of Chapter 6D of the Corporations Act.

LODGEMENT AND LISTING

This Prospectus is dated 13 November 2019 and a copy of this Prospectus was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. The Company will apply to Australian Securities Exchange Limited (**ASX**) for admission of the Company to the official list of the ASX and for quotation of its Shares on the ASX within seven days after the date of this Prospectus. Neither ASIC, the ASX or their officers take any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

NOTE TO APPLICANTS

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. The Company is not licensed to provide financial product advice in respect of its Shares or any other financial products.

No person is authorised to give any information or to make any representation in connection with the Offer or the Shares described in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in the Company's Shares. If you do not fully understand this Prospectus or are in doubt as to how to deal with it, you should seek professional guidance from your stockbroker, lawyer, accountant or other professional adviser before deciding whether or not to invest in the Shares. No person named in this Prospectus warrants or guarantees the Company's performance or any return on investment made pursuant to this Prospectus.

SPECULATIVE INVESTMENT

The Shares offered pursuant to this Prospectus should be considered highly speculative. There is no guarantee that the Shares offered pursuant to this Prospectus will make a return on the capital invested, that dividends will be paid on the Shares or that there will be an increase in the value of the Shares in the future.

You are strongly advised to refer to Section 4 for details relating to the key risks applicable to an investment in the Shares. You should

carefully consider these risks in light of your personal circumstances (including financial and tax issues). There may also be risks in addition to these that should be considered in light of your personal circumstances.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would be unlawful to make such offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions.

The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. The Shares have not been, and will not be, registered under the *United States Securities Act of 1933*, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws.

For details of selling restrictions that apply to the Offer and the sale of Shares in certain jurisdictions outside of Australia, please refer to Section 8.19.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications under the Offer in the seven (7) day period after the date of lodgement of the Prospectus with ASIC (**Exposure Period**). This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by ASIC and market participants prior to the raising of funds under the Offer. This Prospectus will be made generally available to Australian residents during the Exposure Period, without the Application Form, by being posted on the following website: www.foundersfirst.group/investors. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

CAUTIONARY NOTE REGARDING INDUSTRY AND MARKET DATA

This Prospectus, including the Industry Overview in Section 2 and the Company Overview in Section 3, contains statistics,

data and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Company's business and markets. Unless otherwise indicated, such information is based on an independent industry report (**Industry Report**) that the Company commissioned from Frost & Sullivan Australia Pty Limited ABN 35 096 869 108 (**Frost & Sullivan**), as well as the Company's analysis of such information.

The Company understands from Frost & Sullivan that the Industry Report includes or is otherwise based on information obtained from (a) various data collection agencies, industry associations, forums and institutes and private market analysts; and (b) other publicly available information.

While the Industry Report provides that the views, opinions, forecasts and information contained in the report are based on information reasonably believed by the Company in good faith to be reliable, the Company has not independently verified or audited the information or material provided to it by or on behalf of the Company. In addition, the Company has not independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the Industry Report. Accordingly, the accuracy and completeness of such information is not guaranteed.

Applicants should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts contained in reports, surveys and research of third parties which are referred to in this Prospectus will be achieved. Forecasts and estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 4.

PAST PERFORMANCE

This Prospectus includes information regarding the past performance of the Company. Applicants should be aware that past performance should not be relied upon as being indicative of future performance.

FINANCIAL INFORMATION AND AMOUNTS

The financial information in this Prospectus is presented in Australian dollars and has been prepared in accordance with Australian Accounting Standards.

COOLING OFF RIGHTS

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, unless expressly provided under this Prospectus or applicable laws, you cannot withdraw your Application once it has been accepted.

NO OTHER REPRESENTATION

No person is authorised by the Company or the Lead Manager to give any information or make any representation in connection

with the Offer that is not contained in the Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company, its Directors or any other person in connection with the Offer. The Company's business, financial condition, results of operations and prospects may have changed since the date of this Prospectus.

This Prospectus contains forward-looking statements concerning the Company's business, operations, financial performance and condition as well as the Company's plans, objectives and expectations for its business, operations, financial performance and condition. Any statements contained in this Prospectus that are not of historical facts may be deemed to be forward-looking statements. You can identify these statements by words such as "aim", "anticipate", "assume", "believe", "could", "due", "estimate", "expect", "goal", "intend", "may", "objective", "plan", "predict", "potential", "positioned", "should", "target", "will", "would" and other similar expressions that are predictions of or indicate future events and future trends.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company's business and the industry in which the Company operates and management's beliefs and assumptions. These forward-looking statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond the Company's control. As a result, any or all of the Company's forward-looking statements in this Prospectus may turn out to be inaccurate. Factors that may cause such differences or make such statements inaccurate include, but are not limited to, the risk factors described in Section 4.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements.

These forward-looking statements speak only as at the date of this Prospectus. Unless required by law, the Company does not intend to publicly update or revise any forward-looking statements to reflect new information or future events or otherwise. You should, however, review the factors and risks the Company describes in the reports to be filed from time to time with the ASX after the date of this Prospectus.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

ELECTRONIC PROSPECTUS

This Prospectus will be made available in paper form and as an electronic prospectus on the following website: wwwFOUNDERSFIRST.GROUP/INVESTORS.

Any other information on www.foundersfirst.group does not form part of this Prospectus.

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Corporations Act prohibits any person from passing the Application Form on to another person, unless it is attached to, or accompanied by, a complete and unaltered version of this Prospectus. If you are unsure about the completeness of this Prospectus received electronically, or a print out of it, you should contact the Company or the Lead Manager, Bell Potter Securities Limited. A paper copy of this Prospectus will be available for Australian residents free of charge by contacting the Company by telephone on +61 3 9811 9974 (from 9.00 am to 5.00 pm AEDT) Monday to Friday during the Offer Period.

Applications for the Securities under this Prospectus may only be made on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic Application Form attached to the electronic version of this Prospectus, available at www.foundersfirst.group/investors. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of the Prospectus or the complete and unaltered electronic version of the Prospectus. If this Prospectus is found to be deficient, any Applications may need to be dealt with in accordance with section 724 of the Corporations Act.

PRIVACY

The Company will collect, hold, use and disclose personal information provided by investors to allow it to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration of your investment. This means that the Company will need to collect your personal information (for example, your name, address and details of the Shares that you acquire/hold). Under the Corporations Act some of this information must be included in the Company's Share register, which will be accessible by the public.

The Company will only use and/or disclose your personal information for the purposes for which it was collected, other related purposes and as permitted or required by law. If you do not wish to provide this information, the Company and its Share Registry may not be able to process your Application. The Company may also share your personal information with service providers of the Company or others who provide services on the Company's behalf, some of whom may be located outside of Australia.

For more details on how the Company collects, stores, uses and discloses your information, please read the Company's Privacy Policy located on the Company's website at www.foundersfirst.group/copy-of-t-cs.

Alternatively, you can contact the Company by telephone on 03 9811 9974 or by e-mail at admin@foundersfirst.group and the Company will send you a copy of its Privacy Policy free of charge. It is recommended that you obtain a copy of this Privacy Policy and read it carefully before making an investment decision.

By completing an Application Form or authorising a broker to do so on your behalf, or by providing the Company with your personal information, you agree to this information being collected, held, used and disclosed as set out in this Prospectus and the Company's Privacy Policy (located on the Company's website, as above).

The Company's Privacy Policy also contains information about how you can access and seek correction of your personal information, complain about a breach by the Company of the Australian privacy laws, and how the Company will deal with any such complaint.

DEFINITIONS AND ABBREVIATIONS

Defined terms and abbreviations used in this Prospectus are explained in Section 11.

TIME

All references to time in this Prospectus refer to AEDT unless stated otherwise.

CURRENCY

All financial amounts contained in this Prospectus are expressed as Australian currency unless otherwise stated. All references to "\$" are references to Australian dollars.

DATA

All data contained in charts, graphs and tables is based on information available as at 24 October 2019 unless otherwise stated.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus which do not have any descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by the Company.

Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at 24 October 2019.

QUESTIONS

All enquiries in relation to this Prospectus should be directed to the Founders First Offer Information Line on:

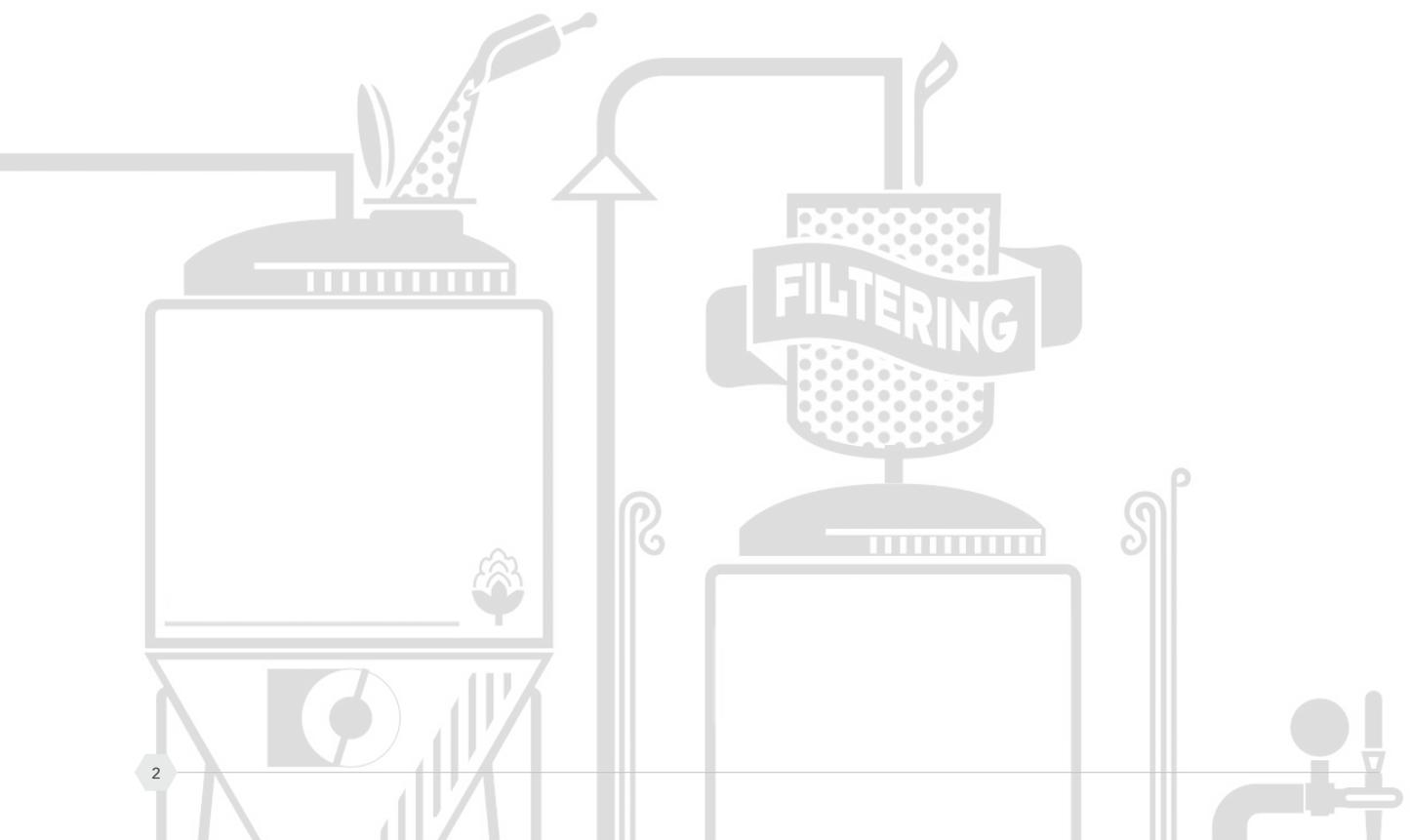
- within Australia: 1300 069 338
- outside Australia: 03 9415 4155

The Founders First Offer Information Line will be open during the Offer Period, Monday to Friday from 9.00 am to 5.00 pm AEDT.

Neither the Lead Manager nor the Company are able to advise Applicants on the suitability or otherwise of an investment in the Company, and for such advice Applicants must contact their own independent professional advisers.

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IMPORTANT DATES AND KEY OFFER STATISTICS

IMPORTANT DATES

Lodgement of the Prospectus with ASIC	Wednesday, 13 November 2019
Offer opens	Thursday, 21 November 2019
Offer closes	Monday, 9 December 2019
Settlement	Wednesday, 11 December 2019
Issue and allotment of New Shares (Completion)	Thursday, 12 December 2019
Dispatch of holding statements	Friday, 13 December 2019
Trading of Shares commences on the ASX on a normal settlement basis	Tuesday, 17 December 2019

All times above are AEDT. The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications without notifying any recipients of this Prospectus or any Applicants.

Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

KEY OFFER STATISTICS

Offer Price	\$0.50 per Share
Gross proceeds from the Offer	\$10.0 – \$17.5 million
Number of Shares offered to investors under the Offer	20.0 – 35.0 million
Total number of Shares held by Existing Shareholders on Completion of the Offer	91.9 million
Total number of Shares on issue on Completion of the Offer	111.9 – 126.9 million
Total number of Performance Rights on issue on Completion of the Offer	3.7 million
Market capitalisation at the Offer Price ¹	\$55.9 – \$63.5 million
Pro-forma net cash on Completion of the Offer	\$22.2 – \$29.3 million
Enterprise Value ²	\$33.7 – \$34.1 million

1. Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the number of Shares at Completion of the Offer.

2. Enterprise Value is equal to the market capitalisation of the Company less the expected pro-forma net cash as at 30 June 2019.



CHAIRMAN'S LETTER

13 November 2019

Dear Investor,

On behalf of my fellow Directors, I invite you to become a shareholder in Founders First – an exciting opportunity to participate in the growing craft beer and spirits sectors.

The business was launched in 2017, by Stuart Morton and Dan Wales, as a way of working with passionate craft brewers and craft distillers, helping them to grow their businesses and reach new customers. More than simply providing capital to these businesses, Founders First works with them to enable growth by improving the standard of back room support – including a collective approach to sales and improving supply chain logistics.

The rising consumer demand for locally connected premium products is shaking up global market dynamics, and the craft beverages sector is responding. As a shareholder in Founders First you will have a direct interest in a portfolio of craft beverage businesses that are poised to capitalise on this large and profitable market opportunity.

Founders First is an 'accelerator' that aims to build one of Australia's largest collection of independent craft businesses and is well on the way towards achieving this vision.

In under two years we have acquired a national portfolio with interests in eleven businesses including craft brand partners and hospitality concept venues. Following two oversubscribed capital raisings, that have raised over \$24 million, the funds raised through this Offer will enable us to further grow this portfolio.

Our management team, led by CEO Mark Haysman, has a collective century of experience in global fast-moving consumer goods, retail and hospitality as well as corporate finance and investment. They have commenced the integration and delivery of value-adding capital, commercial and hospitality solutions for our craft brand partners and continue to target new business opportunities – actively managing our business portfolio to drive shareholder returns.

The safe operation of our Partners' assets and the safety of our staff, contractors and the public are paramount. With our partners, we accept our responsibility to protect the environment and to operate in a safe and sustainable manner.

This Prospectus contains detailed information about the Offer, the industry, the Company's financial and operating performance, as well as the key risks associated with an investment in the Company. These key risks are set out in Section 4 and include, among others, speculative investment risk, the impact of a failure to implement investments, reliance on key personnel, sales and marketing success and failure to scale up and commercialise the Company's offering.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision.

On behalf of the team at Founders First, I invite you to consider this offer and look forward to welcoming you as a shareholder.

Yours sincerely,



Robin Levison
Chairman

INVESTMENT OVERVIEW

1



1 INVESTMENT OVERVIEW

The information set out in this Section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus. In deciding whether to apply for Shares under the Offer, you should read this Prospectus carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

1.1 INTRODUCTION

TOPIC	SUMMARY	FURTHER INFORMATION
Who is Founders First?	<p>Founders First is an Australian based craft beverage ‘accelerator’ operated by a group of leading liquor industry professionals, which invests in select craft beverage businesses alongside their founders and accelerates their growth through the provision of capital, sales and marketing, supply chain and management expertise and the operation of venues.</p> <p>In recognising that these businesses typically face sales and marketing, working capital and operational constraints as they attempt to scale, the business model was designed as a unique proposition for craft operators, providing a solution to capital constraints, brand awareness, market access, supply chain vulnerabilities, high cost bases and knowledge and skills gaps.</p>	Section 3
What industry does Founders First operate in?	<p>The Company operates primarily in the craft beer and craft spirit sectors of the Australian beer and spirit industries.</p> <p>Both sectors are characterised by their fragmented nature, with an estimated 637 craft brewers and 200 craft distillers in Australia.</p>	Section 2
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • achieve the business objectives outlined in this Prospectus; • raise capital to fund future growth and expansion; • gain access to capital markets, which the Company expects will give it added financial flexibility to pursue growth opportunities; • provide a liquid market for the Company’s shares and an opportunity for others to invest in the Company, including Partners; and • provide the Company with the benefits that attach to the increased profile that arises from being a listed entity. 	Section 8.5
How does the Company generate its revenue?	<p>Founders First derives revenue and shareholder value in a number of ways, including:</p> <ul style="list-style-type: none"> • consolidated earnings from Partners in which it has a controlling stake, which are currently Jetty Road, Foghorn and Founders Momentum; • direct revenue, including sales commissions generated by its sales team, the Indie Craft Collective and other services provided by Founders First; • revenue or consolidated revenue from venues, depending on the ownership structure of the venue; and • changes in the value of investments in its Partners. 	Section 3.4
Where are the operations of Founders First located?	<p>Founders First is based in Melbourne and currently has, or shortly after Completion of the Offer will have, investments in businesses or venues in Melbourne, Mornington Peninsula, Adelaide, Sydney, Newcastle, Brisbane and Cairns. In the future, Founders First may invest in Partners which operate in domestic or international locations outside of these areas.</p>	Section 3.5

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FURTHER INFORMATION																																				
<p>What is the Company's growth strategy and business objectives?</p>	<p>Founders First has a range of strategies to grow its business, key of which include:</p> <ul style="list-style-type: none"> • providing capital to its Partners to allow defined growth initiatives, including Jetty Road and Foghorn in the near-term; • investing in new Partners that meet the Company's investment objectives and criteria; • promoting the growth of its Partners through the provision of a range of services, most importantly sales and marketing; • investing in its Indie Craft Collective sales team to grow wholesale sales within its Partners and generate ongoing commissions from this activity; • driving the growth of venue and Partner income, via: <ul style="list-style-type: none"> – assisting its Partners in their venues; – establishing joint ventures with particular Partners; and – establishing its own venues; and • investing in its existing export capabilities 	<p>Section 3</p>																																				
<p>What is the Company's key financial information?</p>	<table border="1"> <thead> <tr> <th data-bbox="440 1032 767 1106">PRO-FORMA HISTORICAL Y/E 30 JUNE A\$'000</th> <th data-bbox="767 1032 895 1106">FY17</th> <th data-bbox="895 1032 1023 1106">FY18</th> <th data-bbox="1023 1032 1217 1106">FY19</th> </tr> </thead> <tbody> <tr> <td data-bbox="440 1106 767 1151">Sales revenue</td> <td data-bbox="767 1106 895 1151">3,899</td> <td data-bbox="895 1106 1023 1151">5,899</td> <td data-bbox="1023 1106 1217 1151">7,567</td> </tr> <tr> <td data-bbox="440 1151 767 1196">Gross profit</td> <td data-bbox="767 1151 895 1196">2,344</td> <td data-bbox="895 1151 1023 1196">3,560</td> <td data-bbox="1023 1151 1217 1196">4,455</td> </tr> <tr> <td data-bbox="440 1196 767 1240">EBITDA</td> <td data-bbox="767 1196 895 1240">(25)</td> <td data-bbox="895 1196 1023 1240">(61)</td> <td data-bbox="1023 1196 1217 1240">(1,289)</td> </tr> <tr> <td data-bbox="440 1240 767 1285">EBIT</td> <td data-bbox="767 1240 895 1285">(132)</td> <td data-bbox="895 1240 1023 1285">(217)</td> <td data-bbox="1023 1240 1217 1285">(1,612)</td> </tr> <tr> <td data-bbox="440 1285 767 1330">NPAT</td> <td data-bbox="767 1285 895 1330">(149)</td> <td data-bbox="895 1285 1023 1330">(281)</td> <td data-bbox="1023 1285 1217 1330">(1,832)</td> </tr> <tr> <td data-bbox="440 1330 767 1375">NPAT (ex minorities)</td> <td data-bbox="767 1330 895 1375">(151)</td> <td data-bbox="895 1330 1023 1375">(239)</td> <td data-bbox="1023 1330 1217 1375">(1,507)</td> </tr> <tr> <td data-bbox="440 1375 767 1420">Net cash</td> <td data-bbox="767 1375 895 1420">–</td> <td data-bbox="895 1375 1023 1420">–</td> <td data-bbox="1023 1375 1217 1420">22,200¹ – 29,300²</td> </tr> <tr> <td data-bbox="440 1420 767 1464">Net Assets</td> <td data-bbox="767 1420 895 1464">–</td> <td data-bbox="895 1420 1023 1464">–</td> <td data-bbox="1023 1420 1217 1464">33,400¹ – 40,500²</td> </tr> </tbody> </table> <p>1. Assumes \$10.0 million capital raising after paying costs of the Offer. 2. Assumes \$17.5 million capital raising after paying costs of the Offer.</p>	PRO-FORMA HISTORICAL Y/E 30 JUNE A\$'000	FY17	FY18	FY19	Sales revenue	3,899	5,899	7,567	Gross profit	2,344	3,560	4,455	EBITDA	(25)	(61)	(1,289)	EBIT	(132)	(217)	(1,612)	NPAT	(149)	(281)	(1,832)	NPAT (ex minorities)	(151)	(239)	(1,507)	Net cash	–	–	22,200 ¹ – 29,300 ²	Net Assets	–	–	33,400 ¹ – 40,500 ²	<p>Section 6</p>
PRO-FORMA HISTORICAL Y/E 30 JUNE A\$'000	FY17	FY18	FY19																																			
Sales revenue	3,899	5,899	7,567																																			
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<p>What is the Company's dividend policy?</p>	<p>The Directors have no current intention to declare and pay a dividend. It is the Directors' intention to reinvest available cash flows into the execution of the Company's business, acceleration and marketing plans.</p>	<p>Section 10.5</p>																																				

1.2 KEY STRENGTHS

TOPIC	SUMMARY	FURTHER INFORMATION
Large profitable market with strong growth potential	<p>In a report commissioned by Founders First, industry research company Frost & Sullivan estimated that:</p> <ul style="list-style-type: none"> the Australian craft beer market size was \$518 million in FY19, representing approximately 13% of the Australian beer market. It was estimated that the sector revenue had grown at a CAGR of 8.7% since FY14; and the Australian craft spirit market size was \$84 million in FY19, representing approximately 3% of the Australian spirits market. It was estimated that the sector revenue had grown at a CAGR of 17.8% since FY14. 	Sections 2.4 and 2.5
Diverse collection of Australian owned independent craft beverage operators	<p>Following Completion of the Offer, Founders First will have investments in nine independent craft beverage operators across four states. The Company believes that this makes it one of the largest investors (by number of investments) in independent craft beverage companies in Australia. Founders First continues to see complementary opportunities to grow this number over time.</p>	Section 3
Portfolio approach to craft categories and brands	<p>Founders First provides investors with the opportunity to invest in a portfolio of craft beverage operators rather than a single brand or operator, with the aim to increase value across the portfolio.</p>	Section 3
Unique acceleration model providing growth capital and cost effective business solutions	<p>Founders First believes that it provides a unique acceleration model which is attractive to craft operators as it provides them with solutions to key challenges they face in growing their businesses. It also provides a number of solutions for retailers such as enabling them to deal with a single operator to provide a range of craft options.</p>	Section 3
Economies of scope and scale to capture synergistic value across the group	<p>Investing in and operating a portfolio of businesses provides a range of opportunities to exploit economies of scale and scope which might include balancing the supply chain, brewing in-house versus using contract brewing, leveraging the sales team across multiple businesses and providing more attractive procurement opportunities.</p>	Section 3
Industry leading executive team	<p>Founders First has assembled what it believes is an industry leading management team with strong industry relationships that can provide immediate access to national markets. This is complemented by a Board with diverse and complementary skill sets and experience across public companies, various industries and other relevant sectors.</p>	Section 5
Multiple revenue streams, strong balance sheet, growth assets	<p>Founders First will derive revenue and value from consolidated investments, Indie Craft Collective commissions, venues and changes in the value of its Partners. The Company will come to market with net cash of between \$22.2 million and \$29.3 million (after paying costs of the offer) and a range of opportunities to grow through investment in its own assets and a pipeline of other potential opportunities.</p>	Section 6
Opportunity for high value divestments	<p>The Founders First business model provides the opportunity to undertake asset divestments where this creates the greatest value for shareholders. There is a long history of major beverage companies undertaking acquisitions of craft beverage operators.</p>	Section 3.3.1

1 INVESTMENT OVERVIEW

1.3 KEY RISKS

There are a number of potential risks associated with the Company and the industry in which it operates, which may impact its financial performance. Some of the risks are summarised below and are described in more detail in Section 4.

TOPIC	SUMMARY	FURTHER INFORMATION
Speculative investment	Founders First was established in 2017 and therefore has only a limited operating history and is not profitable. It is investing in early stage businesses, many of which are unprofitable. It is therefore not possible to evaluate the Company's future prospects based on past performance. Further, the Company is planning to launch venues and the entity has no history of undertaking this successfully. An investment in Founders First should be considered speculative.	Section 4.2.1
Impact of failure to implement the investments	As set out in this Prospectus, the Company proposes to undertake a number of investments in breweries, distilleries and venues in conjunction with the Offer. While the Company has contracts with the Investees (as set out in Section 9), there are condition precedents usual with these types of investments. Some conditions precedent may be reliant on third party consents or approvals which are outside of the control of the Company, the prospective Partner or counterparties to the transaction. Please see Section 9 for the details of the investments currently being undertaken by the Company, including the conditions precedent to those transactions. Should those condition precedents not be met, the terms of some of the investments may change or some of the investments may not complete. The Company will undertake a level of integration between its Partners. There is a risk that these integrations will not be successful which may impact the performance of the Company.	Section 4.2.2
Reliance on key personnel	The Company's success depends to a significant extent on the senior management and key personnel of both the Company and its Partners (including the Company's management and the founders, brewers and distillers of its Partners). These individuals have extensive experience in, and knowledge of, their respective company's products and business and material networks and relationships which are expected to assist in driving the growth in sales of Partner products. The loss of one or more of these key personnel, or any delay in finding a suitable replacement for such personnel, may have a detrimental impact on the Company.	Section 4.2.3
Sales and marketing success	A key component of the Founders First model is the Indie Craft Collective sales team and its role in the successful distribution of Partner products. The success of the Company and its Partners is dependent on the success of the sales team to market and distribute Partner products. The Company will increase its cost base to achieve this. In the event that the sales team's activities are not successful, the Company's earnings and the value of the investments in its Partners could be adversely affected.	Section 4.2.4

TOPIC	SUMMARY	FURTHER INFORMATION
Failure to scale up and commercialise the Company's offering	There is a risk that the Company will be unable to achieve sufficient scale in the commercialisation of its products or the Partners with their products, which will have a significant adverse impact on the Company's business model, operating results and financial position and could potentially result in reduced or negative growth. This is particularly the case given the Company will increase its overhead costs as it executes its growth plans. Further, given the Company and each Partner rely on numerous counterparties in the conduct of their respective operations, the ability of the Company and each Partner to successfully commercialise their products and scale up their respective operations will depend on the performance of these counterparties to each agreement. There can be no assurances that the Company or its Partners will achieve sufficient scale in the commercialisation of its products or services.	Section 4.2.5
Control and minority shareholdings	Most Partners have, or will have, shareholders other than the Company. Further, the Company may only have minority stakes in a number of these Partners. The operations of these Partners may be controlled by the other shareholders and the Company may not be able to create the value it anticipates as a result. Separately, there is also a risk of disputes with these shareholders or disagreement on the strategy or operations of the Partner. Such disputes may result in the Company, the Partner or both incurring substantial costs in litigation or dispute resolution, or compromise the Partner's operations as a result.	Section 4.2.6
Investments, joint ventures and shareholder dilution	<p>As part of the Company's growth strategy, it intends to undertake further acquisitions, investments and/or joint ventures. There can be no assurance that the Company will be able to identify and implement such opportunities, acquire or integrate such businesses.</p> <p>It is likely that the purchase consideration for such transactions could include Shares being issued, in which case the interests of existing Shareholders may be diluted. Further, given the speculative nature of the Company's investments in its Partners, and that such Partners may require additional capital to capitalise on its growth opportunities, additional equity may be issued in the Company's Partners which may dilute the interest in that Partner.</p>	Section 4.2.7
Counterparty risk	The Company has a range of investments and joint ventures with third party shareholders and partners. Further, each of the Company's Partners has many contractual arrangements with customers and suppliers. There is a risk that these parties, both counterparties and Partners, may default on their contractual obligations or fail to meet their capital commitments. This may have adverse effects on the operations and prospects of the Company and/or the relevant Partner.	Section 4.2.8
Food hygiene and safety	Selling food and beverages for human consumption carries inherent risks related to food safety. Food safety incidents (such as tampering or contamination) could result in product liability lawsuits, product recalls, reputational damage and potential civil or criminal liability. Food safety also depends on appropriate storage during transport, and its Partners also depend on its suppliers and transport agents to maintain appropriate storage conditions.	Section 4.2.9
Brands owned by the Company's Partners	The products and services of the Company and its Partners are sold under a number of brands. These brands and images are key assets to the Company and its Partners. In the event that a brand or image is damaged in any way or loses its market appeal, the Company's business and financial performance could be adversely impacted.	Section 4.2.10

1 INVESTMENT OVERVIEW

TOPIC	SUMMARY	FURTHER INFORMATION
Defect with products/services	The Company is reliant on the quality of the products or services provided by its Partners, venues or the Indie Craft Collective meeting regulatory and community standards. If the Company or any Partner experiences a defect or deficiency with its products and/or services, the Company could suffer customer and revenue loss, material harm to its reputation and/or significant expenditure to remediate the issue.	Section 4.2.11
Loss of key customers	<p>The Company and its Partners have established and will continue to establish important customer relationships (including distributors, retailers and other customers). The loss of one or more key customers is likely to adversely affect the operating results of the Company and/or its Partners.</p> <p>In particular, Jetty Road supplies its packaged beer products to several liquor retail chains, each of which is owned by a major food and beverage retail group in Australia. Where Jetty Road supplies its products to these liquor retailers for distribution, those retailers have a discretion as to whether they withdraw or recall the products from sale.</p>	Section 4.2.12
Reliance on third party brewers	The Company's Partners currently, or in the future may, rely on third party contract brewers or distillers to produce their products. If the third party contract brewer or distiller experiences problems at its production facilities, is unable to maintain adequate manufacturing capacity, or adhere to product specifications and quality control standards, or if it increases prices, the Company's and the Partner's financial performance may be detrimentally affected.	Section 4.2.13
Jetty Road's contract with Brick Lane	Jetty Road relies on Brick Lane as its third party contract brewer via the Contract Brewing Agreement (see Section 9.13). If the Contract Brewing Agreement with Brick Lane is terminated for any reason and an alternative brewer is not found in a timely manner or on similar commercial terms, Jetty Road may be unable to satisfy its contractual obligations to its customers and Founders First's earnings and financial condition could be adversely affected.	Section 4.2.14
Reliance on third party storage and transport suppliers	<p>The Company and its Partners depend on third parties to store, transport and deliver their products to various distribution points. The Company has limited internal storage, transportation and delivery capabilities of its own, and accordingly, it is vulnerable to delays in transportation or delivery, to insufficient storage or increases in the cost of transportation, delivery and storage services. Products which are fragile may be damaged during the delivery process.</p> <p>The Company or its Partners may be unable to recover the cost of such goods, or may be liable for fines, penalties or costs associated with delivery delays under customer contracts, which may adversely impact on the Company's financial performance.</p>	Section 4.2.15
Intellectual Property	The success of the Company and its Partners is dependent on the ability to protect their intellectual property, including trademarks and brands, copyright (including recipes), trade secrets and other intellectual property rights. There is a risk that this intellectual property may be the subject of unauthorised disclosure or be unlawfully infringed either by breach of contract or failure of Founders First or its Partners to protect their respective intellectual property. The Company may also incur substantial costs in asserting or defending its intellectual property rights.	Section 4.2.16

TOPIC	SUMMARY	FURTHER INFORMATION
Financing risks	The funds raised pursuant to the Offer will be used to accelerate the Company's business, marketing and growth plans. If the Company incurs unexpected costs or is unable to generate sufficient revenue, further funding may be required to carry out the full scope of its plans. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance. Any additional financing through Share issues may dilute shareholdings. Debt financing may not be available to support the scope and extent of proposed capital plans. If available, it may impose restrictions on operating activities or anticipated expansion of the Company's operations or those of its Partners.	Section 4.2.17
Technology and cyber-security risks	The Company intends to develop an online e-commerce platform (Platform) to support its ongoing strategy. Further, the Company currently uses several online technology solutions to manage various aspects of its business operations. The Company will rely on such technology to operate the Platform and rely on it currently for its business more generally. While the Company has no reason to believe that the security measures in place are not sufficient to protect its technology, systems and information from unauthorised access, it is possible that these measures may not be adequate.	Section 4.2.18
Unforeseen expenses	The Company is not aware of any expenses that it will be required to incur in the two years after Listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities or the activities of its Partners.	Section 4.2.19
Occupational, health and safety	Industrial accidents may occur in relation to the performance of Founders First's services or those of its Partners. Such accidents, particularly where a fatality or serious injury occurs, or a series of such accidents occurs, may have operational and financial impacts for Founders First or its Partners which may negatively impact on their financial performance. Additionally, laws and regulations as well as the requirements of customers may become more complex and stringent or the subject of increasingly strict interpretation and/or enforcement. Failure to comply with applicable regulations or requirements may result in significant liabilities, to suspended operations and increased costs.	Section 4.2.20

1.4 DIRECTORS AND MANAGEMENT

TOPIC	SUMMARY	FURTHER INFORMATION
Who are the Directors of the Company?	<ul style="list-style-type: none"> • Robin Levison, Chairman and Non-Executive Director • John Hood, Non-Executive Director • Stuart Morton, Founder and Investments and Business Development Director • Daniel Wales, Founder and Category and Marketing Director • Mark Haysman, Chief Executive Officer and Managing Director 	Section 5.1

1 INVESTMENT OVERVIEW

1.5 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

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What will the capital structure of the Company be on Completion of the Offer?	<table border="1"> <thead> <tr> <th rowspan="2">KEY SHAREHOLDERS</th> <th colspan="2">SHARES HELD PRIOR TO THE OFFER</th> <th colspan="2">SHARES HELD FOLLOWING COMPLETION OF THE OFFER</th> </tr> <tr> <th>SHARES (M)</th> <th>SHARES (%)</th> <th>SHARES (%)¹</th> <th>SHARES (%)²</th> </tr> </thead> <tbody> <tr> <td>Founders and Directors³</td> <td>23.5</td> <td>25.6%</td> <td>21.0%</td> <td>18.5%</td> </tr> <tr> <td>Existing Shareholders (excluding Founders and Directors)³</td> <td>68.4</td> <td>74.4%</td> <td>61.1%</td> <td>53.9%</td> </tr> <tr> <td>New Shareholders</td> <td>–</td> <td>–</td> <td>17.9%</td> <td>27.6%</td> </tr> <tr> <td>Total (undiluted)</td> <td>91.9</td> <td>100.0%</td> <td>100.0%</td> <td>100.0%</td> </tr> <tr> <td>Performance Rights</td> <td>2.9</td> <td>3.1%</td> <td>3.2%</td> <td>2.8%</td> </tr> <tr> <td>Total (diluted)</td> <td>94.8</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	KEY SHAREHOLDERS	SHARES HELD PRIOR TO THE OFFER		SHARES HELD FOLLOWING COMPLETION OF THE OFFER		SHARES (M)	SHARES (%)	SHARES (%) ¹	SHARES (%) ²	Founders and Directors ³	23.5	25.6%	21.0%	18.5%	Existing Shareholders (excluding Founders and Directors) ³	68.4	74.4%	61.1%	53.9%	New Shareholders	–	–	17.9%	27.6%	Total (undiluted)	91.9	100.0%	100.0%	100.0%	Performance Rights	2.9	3.1%	3.2%	2.8%	Total (diluted)	94.8	100%	100%	100%	Section 8.3
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1.6 KEY TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY	FURTHER INFORMATION
What is the Offer?	<p>The Offer is an initial public offering of between 20.0 million and 35.0 million New Shares at the Offer Price of \$0.50 per Share. The Offer is expected to raise between \$10.0 million and \$17.5 million. Approximately 91.9 million Shares will be held by Existing Shareholders on Completion.</p> <p>The Shares being offered for issue under the Offer will represent between 17.9% and 27.6% of the Shares on issue on Completion (depending on the amount raised under the Offer).</p> <p>Each New Share issued pursuant to this Prospectus will, from the time they are issued, rank equally with the Existing Shares on issue.</p>	Section 8.1
Who is the issuer of the Prospectus?	<p>Founders First Ltd ACN 622 810 897, a company limited by shares incorporated in Victoria, Australia.</p>	Section 8.1

1 INVESTMENT OVERVIEW

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<p>What is the proposed use of proceeds raised from the Offer?</p>	<p>The funds received under the Offer and existing cash are intended to be used as follows:</p> <table border="1"> <thead> <tr> <th>USES OF FUNDS</th> <th>ASSUMING MINIMUM SUBSCRIPTION (\$M)</th> <th>ASSUMING MAXIMUM SUBSCRIPTION (\$M)</th> </tr> </thead> <tbody> <tr> <td>Capex for Jetty Road and Foghorn</td> <td>1.5</td> <td>1.5</td> </tr> <tr> <td>Complete the acquisition of additional craft breweries and distilleries, including Ballistic, Slipstream and Sparkke investments</td> <td>4.6</td> <td>4.6</td> </tr> <tr> <td>Acquire interests in, or accelerate the development of, additional hospitality venues</td> <td>6.3</td> <td>6.3</td> </tr> <tr> <td>Investment in Indie Craft Collective, export capabilities, product and development and general corporate expenses</td> <td>7.8</td> <td>7.8</td> </tr> <tr> <td>Additional funds for investment and working capital</td> <td>2.0</td> <td>9.1</td> </tr> <tr> <td>Costs of the Offer</td> <td>1.1</td> <td>1.5</td> </tr> <tr> <td>Total</td> <td>23.3</td> <td>30.8</td> </tr> </tbody> </table> <p>This table represents the Company's current intentions based upon its plans and the present business conditions. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including any changes from the expected business environment.</p>	USES OF FUNDS	ASSUMING MINIMUM SUBSCRIPTION (\$M)	ASSUMING MAXIMUM SUBSCRIPTION (\$M)	Capex for Jetty Road and Foghorn	1.5	1.5	Complete the acquisition of additional craft breweries and distilleries, including Ballistic, Slipstream and Sparkke investments	4.6	4.6	Acquire interests in, or accelerate the development of, additional hospitality venues	6.3	6.3	Investment in Indie Craft Collective, export capabilities, product and development and general corporate expenses	7.8	7.8	Additional funds for investment and working capital	2.0	9.1	Costs of the Offer	1.1	1.5	Total	23.3	30.8	Section 8.6
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<p>Is there a minimum amount that the Company is seeking to raise under the Offer?</p>	<p>Yes. The Minimum Subscription is \$10.0 million. If the Minimum Subscription is not reached within four months of the date of this Prospectus, the Company will either repay the Application Amounts (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and have their Application Amounts refunded to them (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Maximum Subscription under the Offer is \$17.5 million.</p>	Section 8.2																								
<p>Is the Offer underwritten?</p>	No.	Section 8																								
<p>Will the Shares be quoted on ASX?</p>	<p>The Company will apply for admission to the Official List of the ASX and quotation of Shares on the ASX (which is expected to be under the code 'FFL').</p> <p>Completion of the Offer is conditional upon the ASX approving the Company's application for admission to the Official List of the ASX. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Amounts received will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 8.14																								
<p>What is the allocation policy?</p>	Allocations of New Shares under the Offer will be determined by the Company, in consultation with the Lead Manager.	Section 8.13																								

TOPIC	SUMMARY	FURTHER INFORMATION
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.	Section 8.18
What are the tax implications of investing in the Shares?	The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 8.17
How do I apply under the Offer?	The process for applying for Shares under the Offer is set out in Section 8. The Lead Manager may seek to obtain identification from Applicants. The Company reserves the right to reject an Application if that information is not provided.	Section 8.8
Who can apply for New Shares under the Offer?	Investors that have a registered address in Australia can participate in the Offer. Certain Institutional Investors in Hong Kong, Singapore and the United Kingdom may also participate in the Offer.	Section 8.19
What is the minimum Application size?	The minimum Application size under the Offer is \$2,000 of Shares.	Section 8.9
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post to successful Applicants on or around Friday, 13 December 2019. Any trading before this date is at the Applicants' risk.	Section 8.13
When are the Shares expected to commence trading?	It is expected that the trading of the Shares will commence on or about Tuesday, 17 December 2019, on a normal settlement basis. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement.	Section 8.16
Can the Offer be withdrawn by the Company?	The Company reserves the right not to proceed with the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer does not proceed, all Application Amounts will be refunded. No interest will be paid on any Application Amounts refunded as a result of the withdrawal of the Offer.	Section 8.12
Where can I find more information about this Prospectus or the Offer?	All enquiries in relation to this Prospectus should be directed to the Founders First Offer Information Line on: <ul style="list-style-type: none"> • within Australia: 1300 069 338 • outside Australia: 03 9415 4155 The Founders First Offer Information Line will be open during the Offer Period, Monday to Friday from 9.00 am to 5.00 pm AEDT. If you are unclear in relation to any matter or are in any doubt as to whether to invest in the Company, you should seek professional advice from your stockbroker, financial adviser, accountant, lawyer or other professional adviser before deciding whether or not to invest in the Company.	Section 8.22

INDUSTRY OVERVIEW

2



2 INDUSTRY OVERVIEW

2.1 INTRODUCTION

Founders First invests primarily in and provides services to early and mid-stage craft breweries and distilleries. It currently operates primarily within the craft beer and craft spirit sectors of the Australian beer and spirits industry.

In preparing this Section of the Prospectus, Founders First commissioned market research company Frost & Sullivan to prepare a report on the Australian Craft Beer and Spirits Market in Australia. Unless indicated otherwise, information in this Section is sourced from that report.

2.2 THE AUSTRALIAN BEER INDUSTRY

Australian beer industry revenue totalled approximately \$4.1 billion in 2018. It is a mature industry and is highly concentrated. The largest brewing businesses in Australia, Carlton & United Breweries and Lion, are both foreign-owned, and share an estimated 89% of the Australian beer industry by volume. The third largest Australian participant is Coopers which produces approximately 80 million litres a year, being approximately 5% of estimated total industry volume in 2018. Both Carlton & United Breweries and Lion produce mass-market products but have also invested in craft beer brands, both organically and through acquisition. Other notable large companies that have invested in the industry via the acquisition of craft brands include Asahi and Coca Cola Amatil. In July 2019, Asahi announced its acquisition of Carlton & United Breweries from AB Inbev.

Table 2.1: Main beer industry participants, Australia, 2019

COMPANY	OWNERSHIP	MAIN BRANDS	NUMBER OF BREWERIES	CRAFT ACQUISITIONS (YEAR OF ACQUISITION)/ CRAFT BRANDS	ESTIMATED MARKET SHARE (BY VOLUME) ¹
Asahi Beverages	Asahi (Japan)	<ul style="list-style-type: none"> • Asahi • Peroni • Grolsch • NZ Pure 	3	<ul style="list-style-type: none"> • Mountain Goat (2015) • Cricketer's Arms (2013) • Green Beacon (2019) 	2%
Carlton & United Breweries	AB InBev, sale to Asahi (Japan) announced in July 2019	<ul style="list-style-type: none"> • Carlton Draught • Victoria Bitter • Great Northern • Pure Blonde • Crown Lager 	5	<ul style="list-style-type: none"> • Yak Ales • Four Pines (2017) • Pirate Life (2017) • Redback (1988) 	49%
Coca-Cola Amatil	Publicly-listed (ASX)		1	<ul style="list-style-type: none"> • Feral (2017) • Yenda 	1%
Coopers	Private	Coopers	1		5%
Lion	Kirin Holdings (Japan)	<ul style="list-style-type: none"> • XXXX • Toohey's • Hahn • James Boag 	7	<ul style="list-style-type: none"> • James Squire • Furphy • Little Creatures (2012) • White Rabbit (2012) • Kosiuszcko (2012) • Byron Bay Brewing (2016) 	40%

Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

Note:

1. Includes imported products, excludes homebrew.

2 INDUSTRY OVERVIEW

2.3 THE AUSTRALIAN SPIRITS INDUSTRY

The Australian distilled spirits industry is less concentrated than the Australian beer industry, but as with beer, foreign-owned companies supply a majority of the market. The four largest market participants are set out in table 2.2, all of which supply a range of spirits brands. These brands include domestically-manufactured products (such as Bundaberg), as well as overproof spirits imported from overseas which are diluted and packaged domestically.

In addition to these companies, a number of other multinational companies have significant imports of finished products into Australia, such as Gruppo Campari and Pernod Ricard. Overall, imports of finished products are estimated to account for over 30% of the market. As with beer, large beverage companies have acquired independent craft brands, with Lion announcing the acquisition of a 50% equity stake in craft distillery Four Pillars in March 2019.

Table 2.2: Main spirits industry participants, Australia, 2019

COMPANY	OWNERSHIP	MAIN BRANDS	ESTIMATED MARKET SHARE BY VALUE
Asahi Beverages	Asahi (Japan)	<ul style="list-style-type: none">Vodka CruiserWoodstock Bourbon	12%
Carlton & United Breweries	AB InBev, sale to Asahi (Japan) announced in July 2019	<ul style="list-style-type: none">Black DouglasCougar	5%
Coca-Cola Amatil	Publicly-listed (ASX)	<ul style="list-style-type: none">Jim BeamCanadian Club	16%
Diageo Australia	Diageo (UK)	<ul style="list-style-type: none">SmirnoffCaptain MorganBundabergJohnnie Walker	25%

Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

2.4 CRAFT BEER SECTOR

2.4.1 Background

The craft beer sector has developed since the late 1970s, largely as a reaction against the increased consolidation and homogenisation of the brewing industry in countries such as Australia, the UK and US. There has been a significant increase in the number of breweries in these countries since the 1980s as the sector has developed. Australia's first microbreweries appeared in the mid-1980s, but the sector began accelerating significantly in the mid-2000s, with the establishment of breweries such as Little Creatures and Mountain Goat.

There are varying definitions of "craft beer" and "craft brewers". Industry bodies representing the sector typically define craft beer as beer manufactured by brewers that are both "small" and "independent" of control by large national or multinational brewers, rather than by production process. In Australia, the Independent Brewers Association (IBA) defines a craft brewer as one that has beer sales of less than 40 million litres per year and in which a brewer with aggregate beer sales of more than 40 million litres per calendar year does not own more than a 20% share.

Over recent years, large national or multinational breweries have either acquired craft breweries, or have organically established their own craft brands.

Given the lack of consumer awareness of the ownership of beer brands, the trade body representing independent craft brewers, the IBA, has introduced the Seal of Independence to differentiate independent craft brewers from craft brands owned by major brewers. This is similar to marks of independence in the UK, US and other markets.

Two definitions of craft beer are therefore used in this section:

- Total craft beer; and
- Independent craft beer (only including craft beer produced by independent brewers).

2.4.2 Sector size, growth and value

Frost & Sullivan estimates that, in FY19, total Australian craft beer sector (including craft production by major brewers) revenue was \$518 million, which equated to approximately 13% of total beer sales by value. Within this, independent craft was estimated at \$223 million of total sales, which equated to approximately 6% by value.

Between 2014 and 2019, total craft sales are estimated to have increased at a CAGR of 8.7% and independent craft beer sales at 12.3% in an overall beer market that has been relatively flat, as demonstrated in figure 2.1.

Figure 2.1: Estimated Craft Brewing Industry Revenue, Australia, 2014 to 2019



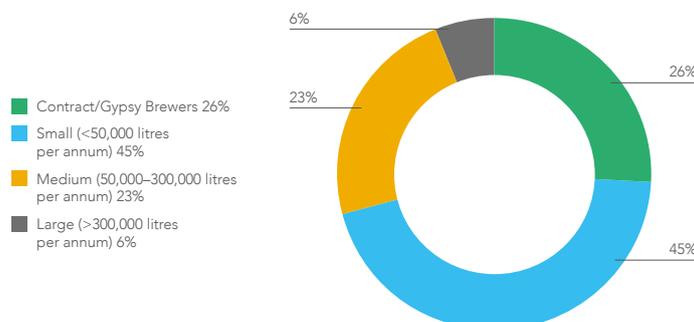
All units in \$m, unless stated otherwise.
 Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

2.4.3 Sector structure

The craft beer sector is highly fragmented. IBA estimated that there were approximately 550 craft brewers in Australia in 2018 and a list compiled by Craft Beer Review in April 2019 identified 637, including approximately 20 non-independent craft breweries (owned by major brewers). Of this total, approximately 170 are contract/gypsy brewers. Contract brewers produce beer on behalf of another brewer using their own brewery, whereas gypsy brewers utilise spare brewing capacity at a third-party brewery to produce their own brand.

The vast majority of craft breweries produce less than 100,000 litres per annum. Only 0.3% of breweries (around 3-4 breweries) produce over 5 million litres per year. Many small craft breweries include brew pubs that sell only at their own premises, and scaling production can be a significant challenge for independent craft brewers, with only an estimated 30-40 in total having regional or national distribution.

Figure 2.2: Craft brewers by annual volume, Australia, 2019



Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

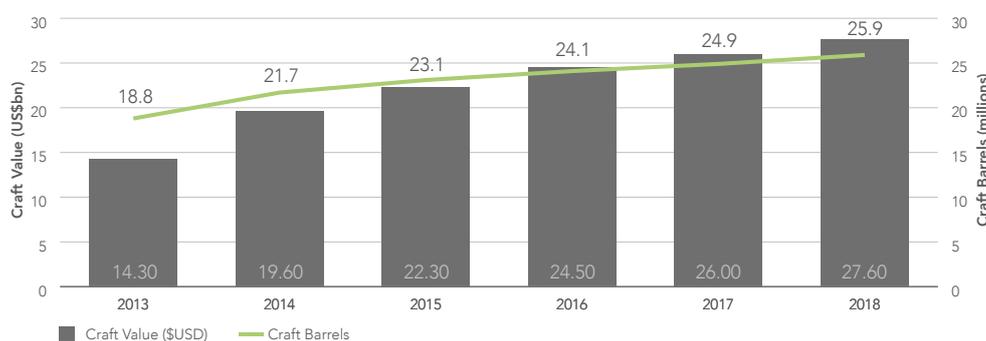
2 INDUSTRY OVERVIEW

2.4.4 US experience

The US craft beer sector provides an example of a market that has grown to a more significant proportion of the beer market than Australia. Between 2013 and 2018, the number of craft breweries in the US increased from just under 3,000 to over 7,300, at a CAGR of 19.8%.

Sales volume has increased from 18.8 million barrels in 2013 to 25.9 million in 2018, a CAGR of 6.6%. Over this period, craft share of US beer sales by value has increased from 14.3% to 24.2%.

Figure 2.3: Craft brewery estimated sales volume and market share by value, US, 2013 to 2018



Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

2.5 CRAFT SPIRITS SECTOR

2.5.1 Background

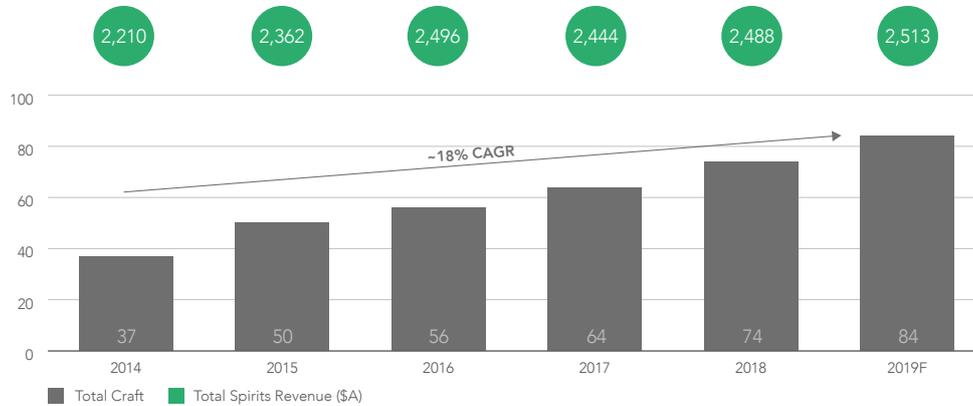
Craft distilling in Australia started to develop in the 1990s in Tasmania with production of whisky, following the repeal of state legislation that had previously prohibited distillation. Subsequently, craft distilling of vodka, rum and gin has also developed in Australia. There are now estimated to be close to 200 craft distilleries in Australia. Many of these have not yet started commercial sales, due to the time lag between production and sales as certain spirits (e.g. whisky) are aged prior to sale. There is no definition of craft distilling that has been generally adopted in the Australian market but the American Spirits Association uses a similar definition to craft brewing based on level of production and independence.

2.5.2 Sector size and growth

There is limited data on the revenue of the craft spirits category in Australia, however Frost & Sullivan estimates that the craft sector accounted for approximately 3% of the total spirits industry revenue in 2019.

Over the period 2014 to 2019, the revenue of the craft spirits sector in Australia was estimated to have increased at a CAGR of approximately 18%. A major factor behind future growth is expected to be the commencement of commercial sales by craft distilleries established in the past two-to-three years which are still ageing their first production batches.

Figure 2.4: Craft spirits estimated industry revenue, Australia, 2014 to 2019F



All units in \$m, unless stated otherwise.

Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

2.5.3 Sector structure

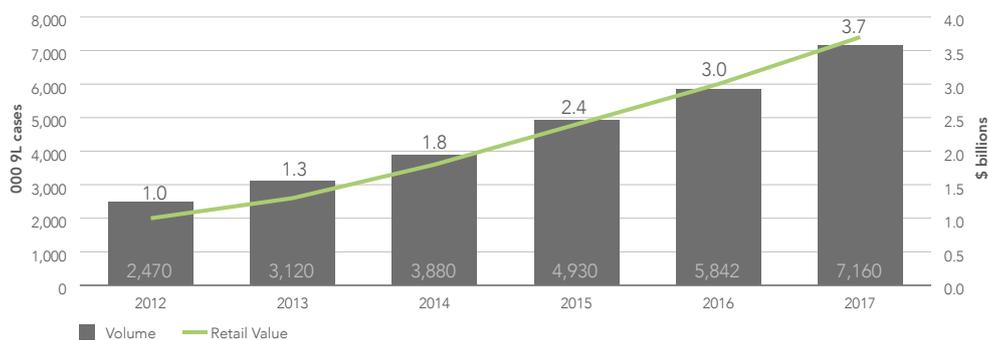
Similar to craft beer, the craft spirits sector is relatively fragmented, with 200 craft distilleries listed on the Australian Craft Distillery and Cellar Door Directory as at July 2019. The largest number are located in New South Wales and Victoria, although there is also a significant number in Tasmania, mainly producing whisky.

2.5.4 US experience

Between 2013 and 2018, the number of craft distilleries operating in the US increased from 656 to 1,835, a CAGR of 23%. The largest number of active distillers is in California and New York.

Sales volume and value by US craft distilleries has increased sharply over recent years. Between 2012 and 2017, sales volume increased at an estimated CAGR of 23.7% to reach 7.16 million cases in 2017, and retail sales value grew by an estimated 29.9% CAGR to reach US\$3.7 billion in 2017. By 2017, craft distilleries were estimated to account for 3.2% of US spirit sales by volume, and 4.6% by value, an increase from 1.2% and 1.4% respectively in 2012.

Figure 2.5: Craft distillers estimated sales volume and value, US, 2012 to 2017



Source: Frost & Sullivan, 'Market Report on the Craft Beer and Craft Spirits Markets in Australia' (24 October 2019), commissioned by Founders First.

2.6 ALCOHOLIC BEVERAGE DISTRIBUTION

There are two main distribution channels for alcoholic beverages in Australia: on-premise (pubs, hotels, restaurants, clubs, cafes) and off-premise where products are sold through licensed retailers, including hotel/pub bottle shops and online retailers. For beer, about 61% of sales by volume are through off-premise outlets. Whilst no data is available, the share of spirits sold through off-premise outlets is likely to be higher.

2 INDUSTRY OVERVIEW

2.6.1 On-premise

The on-premise sector is highly fragmented, with an estimated 40,000+ liquor licences nationally. No single group accounts for more than 5% of on-premise outlets, meaning a widespread distribution infrastructure is required for alcoholic beverage manufacturers to access the sector. The sales and merchandising infrastructure required to adequately serve the on-premise sector nationally is extensive, and was a major driver of the consolidation of the alcoholic beverage industry in earlier years. Large brewers or distillers may impose exclusivity or volume requirements in premises that they serve, in return for rebates, infrastructure investment and refurbishment loans, although an investigation by the Australian Competition & Consumer Commission (ACCC) in 2017 found that this was not anti-competitive, and that smaller brewers had adequate access to these venues.

2.6.2 Off-premise

Liquor retailing requires a licence (packaged liquor licence) issued by state-based licensing authorities. There are approximately 6,500 packaged liquor licences nationwide. A significant portion of these are operated by the major retailers – Woolworths and Coles. Many independent retailers operate under banner/buying groups.

Woolworths (BWS, Dan Murphy's, Cellarmasters) is the dominant player in retail liquor sales, with market share close to 50%. In 2018 Coles (Liquorland, Vintage Cellars) and Woolworths shared two-thirds of the market. Independents accounted for the balance, including those supplied by Metcash. As with other retail sectors, a significant trend in liquor retailing has been the growing share of retailers focused on low prices, particularly Woolworths through its Dan Murphy's brand.

2.7 MARKET DRIVERS FOR CRAFT BEER AND SPIRITS

A number of factors are stimulating the craft beer and spirits sectors in Australia.

2.7.1 Premiumisation

Premiumisation is the opposite of commoditisation, and refers to competition on the basis of quality and exclusivity at a higher price. This has been a notable trend in the alcoholic beverage market in Australia over recent years, driving demand for differentiated, premium products in both the beer and spirits categories.

This trend to premium products is evident in the beer market. For example, data from the US indicates that the higher price beer brands are gaining market share in both volume and value terms. Between 2011 and 2016, the share of above average priced beers had increased from 31.4% to 44.5% of total beer sales by value. The growth of craft beer is partly a reaction to the increased homogeneity of beer produced by large brewers, who choose to manufacture beer that appeals to as many consumers as possible.

Given that Australia's GDP per capita is amongst the top-20 globally, the premiumisation trend is well supported by relatively high standards of living. In the pubs, bars and restaurants sector, gastro pubs that offer premium/gourmet menu items targeted at the quality-conscious consumer are the primary manifestation of the premiumisation trend. The 2016 Dimmi Australian Dining Index shows that average spend in restaurants grew the most in the premium market (i.e. more than \$110 per head); registering 5% spend growth, as opposed to only 0.3% growth in the low end market and 1% growth in the mid-market.

2.7.2 Craft breweries and distilleries as social venues

Interest in craft breweries and distilleries is driven by their increased role as social venues, with many breweries now offering tap rooms where patrons can drink on-premise. It is estimated that two-thirds of Australian craft brewers now have tap rooms, as well as an expanded food and beverage offer to include meals. This is driving growth in craft beer sales at the brewery, with 7% of US craft beer sales now estimated to occur at the brewery. Similarly, craft distilleries are increasingly focused on offering product tasting as well as broader food and beverage options. This is driving an increased role of craft breweries and distilleries as social venues, rather than just manufacturing locations. This is aided by the location of many craft brewers and distillers in highly populated and easily-accessible urban areas.

Additionally, craft breweries and distilleries are increasingly being promoted as tourist attractions, with industry promotion and organised tours developing in a similar way to the wine industry. In NSW, for example, it is estimated that 164,000 domestic overnight visitors experienced a NSW brewery or distillery in 2017, with an economic contribution of more than \$180 million to the State's economy. In the US, 10 million people visited craft breweries as far back as 2014, with "beercations" an emerging sector within the tourism industry. Tourism Tasmania promotes its Whisky Trail.

2.7.3 More favourable tax arrangements

Changes to alcohol excise over the past two years have supported the position of craft brewers and distillers. From 1 July 2019, the alcohol excise refund scheme cap increased from \$30,000 a year to \$100,000 for all brewers and distillers. This scheme allows producers to claim a refund on excise duty they have paid on alcoholic beverages, provided that they are legally and economically independent of other manufacturers.

Producers of beer in kegs of 8 litres or more will also receive the same tax rates as producers in kegs of 48 litres or more, which previously enjoyed a lower excise rate. As craft brewers typically produce in smaller kegs, this provides an equalisation of excise with larger brewers, and is likely to result in craft beer becoming more price-competitive.

2.7.4 Localisation and connection

Partly as a counter-response to globalisation, consumers are becoming more interested in locally-produced products with which they can establish a personal connection. Craft brewers and distillers tend to promote their connection with a specific locality, driving relationships with the local community and appealing to consumers who wish to support local businesses. A similar trend is occurring with liquor retailers, who are increasingly tailoring their product offerings to the local community, rather than providing a homogeneous product range regardless of location.

2.7.5 Increased promotion of craft brewing and distilling

Awareness of craft brewing and distilling is being stimulated by increased industry promotion, for example through fairs and events. For example, there are now over 30 annual awards, festivals, competitions and other events devoted to craft beer in Australia. These events, as well as the industry more generally, are increasingly promoted by regional tourism bodies.

2.7.6 Growing interest in the food and beverage experience

A notable trend in consumer expenditure over recent years has been a relative switch to expenditure on "experiences" as opposed to "things". This has included growth in expenditure on eating out in cafes, bars and restaurants, which over recent years has increased significantly faster than expenditure on most retail categories. Strong growth is occurring in patronage of "gastro" pubs which serve higher quality food than is traditionally found in pubs, and which differentiate themselves through the quality and uniqueness of their food and beverage offer, including through craft beers and spirits.

2.7.7 Relatively low barriers to entry

The capital costs to establish a small brewery or distillery are relatively low, a factor reinforced by the increasing availability of second-hand equipment and the growing number of contract brewers and distillers, which allow a craft brewer or distiller to start operations without requiring its own production facility. Early craft brewers typically used equipment designed for other industries (dairy or wine), however there is now an increasingly wide range of specialist equipment available. Additionally, financing for craft breweries and distilleries has become more available, with banks, venture capitalists and even governments increasingly attracted to investing in these sectors. The investment required for a larger scale craft brewery or distillery which aims for national distribution is, however, significantly higher, particularly in terms of the sales and marketing infrastructure required. This provides a major challenge for businesses looking to scale.

2.7.8 Governmental support

Federal and state governments in Australia have introduced policies to support the craft beer and spirits sector, including the excise changes mentioned above. The Queensland government has introduced the Queensland Craft Beer Strategy (QCBS) which will include the establishment of a Brewlab, providing a facility where craft brewers can undertake product development, and offer quality analysis and testing services; establishing a course for craft brewers at TAFE Queensland; facilitating the strengthening of supply chain relationships between craft brewers and agricultural suppliers; supporting craft brewers to access export markets; preferencing local buying arrangements both within and outside government; supporting craft brewers to integrate within the tourism infrastructure; streamlining the liquor licence application process; providing support and guidance for craft brewers through workshops and information packs; and making representations to the Commonwealth government to grant further excise relief and support craft brewers to meet their excise obligations.

In general, however, Australian governmental support for the craft brewing sector remains less than in other countries. For example, the UK provides the Small Brewer Relief (SBR) Scheme, which provides a discount on beer duty of 50% to brewers producing under 5,000 hectolitres with tapered relief up to 60,000 hectolitres.

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2.8 PARTICIPANT RESTRAINTS AND CHALLENGES

A survey commissioned by the IBA in 2016 amongst independent craft brewers identified that, for this group, the most significant constraints on growth are as set out below.

2.8.1 High excise rates

As excise duty is paid by producers when alcohol leaves their premises or is consumed on-site, it can be that the producer is required to pay before sale of the product. In addition to the fact that Australian excise is complex and the rates are high by global standards, this can create administrative and cashflow issues for small producers.

2.8.2 Challenges in market access

The concentration of the Australian liquor retailing sector creates challenges for craft producers in accessing markets, particularly given the number of producers and imbalance in the negotiating position. In contrast, on-premise is highly fragmented, requiring a significant investment in sales and marketing to adequately address the sector. The major beverage companies also have strong positions on-premise, providing further challenges in market access.

2.8.3 Access to capital

While the craft beer and craft spirit sectors are increasingly visible to investors, many producers can still find challenges in raising capital to scale their business and expand operations.

2.8.4 Managing cashflow

Cashflow issues for small producers include the potential need to pay excise before products have been sold and lengthy payment terms for some retailers and on-premise customers. Distillers of certain spirits (e.g. whisky) face further challenges given the requirement to age the product before sale.

2.8.5 Consumer demand

Small craft producers can be challenged in addressing changes in consumer demand for their products. This may be as a result of seasonality, holiday periods or product shelf life.

COMPANY OVERVIEW

3



3 COMPANY OVERVIEW

3.1 OVERVIEW OF FOUNDERS FIRST

Founders First is an Australian based craft beverage ‘accelerator’, that invests in select craft beverage businesses alongside their founders and accelerates their growth through the provision of capital, sales and marketing, supply chain and management expertise and the operation of venues.

The Company was founded in 2017 by Stuart Morton and Daniel Wales, with the ambition to become the leading craft beverages accelerator in Australia, by partnering with ambitious early to mid-stage craft beverage operators. Founders First enables craft business founders to ‘think big, act with agility’ and retain their independence.

Founders First has a targeted business model supporting craft operators to grow, while enabling them to focus on creating innovative products in response to rising consumer brand. This is achieved by providing solutions to capital constraints, building brand awareness, improving market access, managing supply chain vulnerabilities, reducing high costs and providing category and retail insights and leadership. It also provides a solution for liquor retailers, allowing them to deal with a single provider across a range of craft beverage producers.

Many of Founders First’s Partner businesses operate their own venues, which is an important growth strategy for a craft beverage operator. The Company also has plans to develop select hospitality venues in strategic locations, both with its Partners and on its own. These will showcase and sell the products of its Partners which is expected to increase Partner sales volume and provide additional revenue opportunities for both the Partners and Founders First.

Founders First made its first Partner investment in Jetty Road in 2017 and has seen Jetty Road’s revenue grow from around \$100,000 in FY17 to \$3.3 million in FY19. Since this time, the Indie Craft Collective has grown Jetty Road’s distribution points from 111 to over 800 and Jetty Road has plans to open a second venue in 2020.

On or shortly after Completion of the Offer, the Company expects to have interests ranging from 5% to 75% in 9 Partners. It will also have interests between 50% to 100% in three venues in addition to indirect interests in nine venues operated by its Partners.

3.2 FOUNDERS FIRST VALUE PROPOSITION

Founders First was established to partner with the founders of early to mid-stage craft beverage operators with the initial goal of building and accelerating growth of the largest collection of Australian owned independent operators in the country. The Company may also make investments in foreign craft operators if opportunities arise to create shareholder value and which align with Founders First’s strategic and commercial objectives. The Company’s business model aims to grow these businesses by addressing the challenges faced by small to medium operators in the craft beverage space, while also providing a solution for retailers in the craft beverage category.

3.2.1 Proposition for craft beverage operators

Despite the distinct advantage of being fast to market with small batch innovative products, in a competitive context small to medium sized craft beverage operators often struggle to achieve brand penetration and the economies of scale required to achieve sustained profitable growth.

Founders First’s proposition for craft beverage operators is summarised in Table 3.1 below.

Table 3.1 – Founders First proposition for craft beverage operators

ISSUE	HYPOTHESIS	FOUNDERS FIRST SOLUTIONS
Capital constraints	<ul style="list-style-type: none"> Small operators with little free cashflow and limited access to growth funds 	<ul style="list-style-type: none"> Investment capital and debt funding to enable operators to grow
Limited brand awareness	<ul style="list-style-type: none"> Local operators with limited history and brand strength in extended markets 	<ul style="list-style-type: none"> Expertise and hands on support to build brand awareness and drive trial on and off-premise
Limited market access	<ul style="list-style-type: none"> Market dominated by sophisticated large retailers with preference to deal with fewer suppliers Limited number of on-premise taps due to long term major brewer contracts 	<ul style="list-style-type: none"> A coordinated approach to retail, independent and on-premise channels National sales and distribution capability through the specialist Indie Craft Collective enabling increased rates of sale and reduced costs to service

Table 3.1 – Founders First proposition for craft beverage operators (continued)

ISSUE	HYPOTHESIS	FOUNDERS FIRST SOLUTIONS
Supply chain vulnerabilities	<ul style="list-style-type: none"> • May have limited in-house production and packaging capability with reliance on contract solutions • May have limited cold store warehousing and distribution capability with reliance on contract solutions 	<ul style="list-style-type: none"> • Access to strategic supply chain partnerships to provide scalable and reliable supply for increasing demand • Planning discipline to optimise capacity, cost and capital spend and mitigate risk
High cost base	<ul style="list-style-type: none"> • May have limited bargaining power and high unit costs 	<ul style="list-style-type: none"> • Leverage associated with group economies of scale and scope to reduce input costs and negotiate sustainable low-cost solutions for the group
Skills and knowledge base	<ul style="list-style-type: none"> • May have limited knowledge and experience in retail, hospitality or consumer goods industries • May focus on production rather than commercialisation 	<ul style="list-style-type: none"> • Sharing of data, insights and thought leadership • Hands-on support where required to drive the performance of the business

3.2.2 Value for liquor retailers

Craft beverages are an important category for liquor retailers given the growth in sales and premium pricing. However, the fragmented nature of the independent craft sector presents challenges to retailers in doing business with small craft beverage operators.

Founders First aims to provide a solution in the category for retailers to simplify doing business with the independent craft sector.

Table 3.2 – Founders First proposition for liquor retailers

ISSUE	HYPOTHESIS	FOUNDERS FIRST SOLUTIONS
Proliferation of craft brands and choice	<ul style="list-style-type: none"> • Retailers may be time poor and appreciate simple buying solutions 	<ul style="list-style-type: none"> • A coordinated portfolio of select independent craft brands accessible through a single point of contact • Support for core ranging and seasonal specialities
Craft operators with a lack of retail experience	<ul style="list-style-type: none"> • Retailers generally value category insights to help them drive category growth 	<ul style="list-style-type: none"> • Craft category leadership provides valuable insights and opportunities for growth • A retailer-focused and experienced national sales team
Inconsistent supply	<ul style="list-style-type: none"> • Reliability of supply is a key consideration for retailers 	<ul style="list-style-type: none"> • Reliable inventory availability and a smooth supply chain shared across multiple Partners
Craft operators with little experience on driving sales in-store	<ul style="list-style-type: none"> • Collaboration required to ensure sales in-store 	<ul style="list-style-type: none"> • Coordinated sales and marketing plans and promotion activities

3 COMPANY OVERVIEW

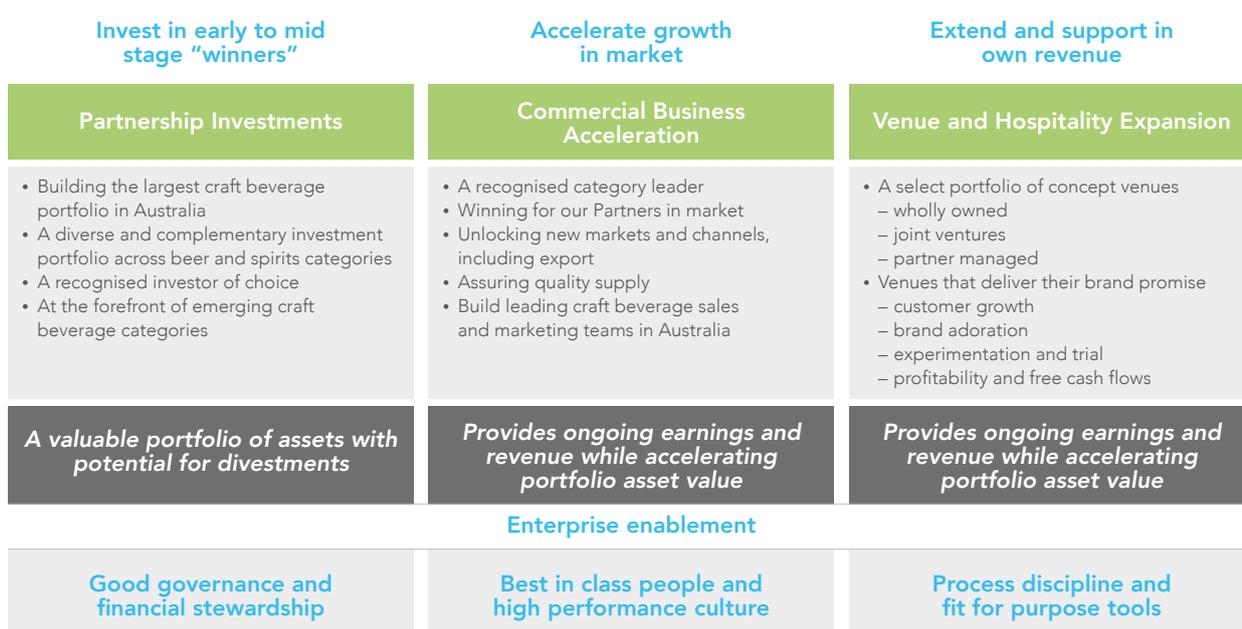
3.3 FOUNDERS FIRST BUSINESS MODEL

Founders First’s business model comprises three integrated pillars, being ‘partnership investments’, ‘commercial business acceleration’ and ‘venue and hospitality expansion’.

Founders First also looks at additional opportunities as a natural extension of these three pillars where it believes it will add significant value to the portfolio. For example, Founders First acquired the real estate on which Jetty Road operates at Dromana. Such opportunities are considered on a case-by-case basis, dependent on maximising shareholder value.

The business model is summarised in Figure 3.3 below.

Figure 3.3 – Founders First business model



3.3.1 Partnership Investments

The Company’s goal is to build a valuable portfolio of select craft beverage businesses. This will be achieved through investments in its existing Partners and in other craft businesses where there is significant potential to accelerate the revenue and earnings profile with sales and marketing, back office and value-add services and distribution opportunities.

Founders First’s preference is to take a majority equity position in any Partner, however for strategic reasons, it may invest in minority positions in craft beverage businesses. Strategic reasons will include building a national portfolio of strong brands and generating incremental revenues from services delivered by the Indie Craft Collective and venue joint ventures.

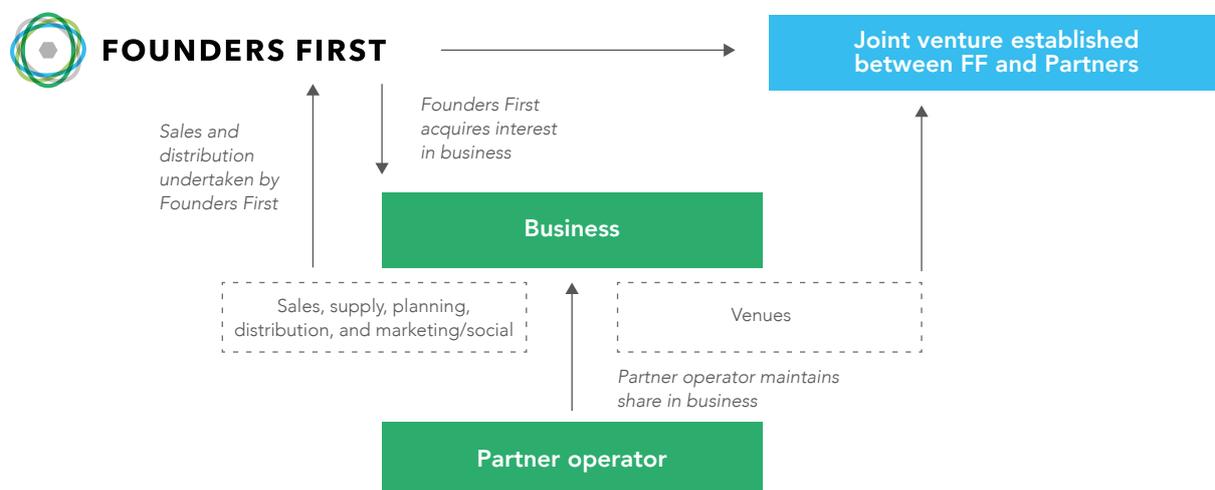
Fundamental to the partnership investment model is shared ownership and alignment on growth strategies. Shared ownership ensures the long-term commitment of Partner operators and alignment on growth strategies enables clarity of capability gaps and support needs and focus on core strengths.

The model allows Founders First to create value in a number of ways, including building value in a well-balanced, diversified portfolio of assets, revenue and earnings from the commercial business acceleration pillar, and additional growth through wholly owned and joint venture venues.

It is possible that Founders First could invest in other emerging craft beverage growth categories in the future if opportunities arise to create Shareholder value which align with Founders First’s commercial and strategic objectives.

Divestment of some assets may also be undertaken to create or protect value for shareholders. As discussed in Sections 2.2 and 2.3, large beverage companies have a history of acquiring high growth craft operators.

Figure 3.4: Example Founders First investment



3.3.2 Commercial business acceleration

Founders First aims to accelerate growth in its portfolio of Partner brands by securing market access and growing distribution points, addressing supply chain constraints and demonstrating independent craft category leadership.

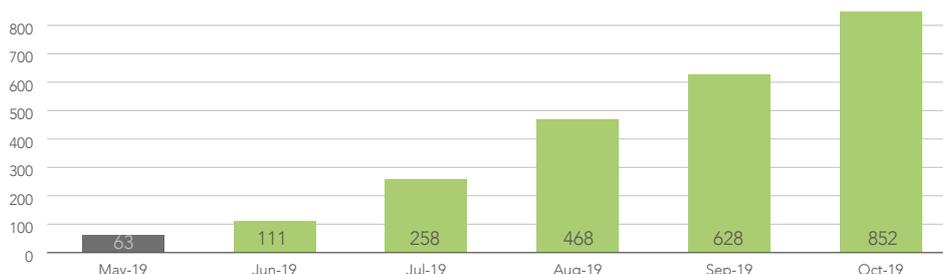
To support this objective, Founders First is building the Indie Craft Collective, which is a highly experienced sales and marketing team focused on commercialising its Partners’ products and helping them to win in market. The Indie Craft Collective absorbs its Partner’s sales function which allows craft operators to focus on day-to-day business management and product development and reduce indirect headcount and associated labour costs. Additionally, the Indie Craft Collective generates revenue for Founders First via a tiered commission structure on Partner brand sales and value for the Company through shared distribution and sales administration services and improved demand and supply planning. In market, the Indie Craft Collective is able to offer retailers and distributors a diverse portfolio of independent craft brands.

With deep category and retailer insights, the Indie Craft Collective supports broader Partner product distribution, greater visibility in-store and increased rate of sale and then manages coordinated route to market solutions to assure customer service delivery, billing and collection. In addition to this Founders Momentum provides an in house avenue for Partner brands to access international markets via export.

The Company has Services Agreements with each of Jetty Road, Foghorn, Ballistic, SauceCo, Sparkke, Slipstream and Brogan’s Way delivered by the Indie Craft Collective.

Founders First’s maiden investment, Jetty Road, demonstrates the Company’s ability to rapidly accelerate growth in its Partners’ brands. Jetty Road has achieved substantial growth in distribution points, driven by the Indie Craft Collective’s top down approach to the market.

Figure 3.5: Jetty Road growth in distribution points



Founders First has also commenced opening up export pathways via Founders Momentum International, and is in the process of developing e-commerce opportunities and online sales avenues.

3 COMPANY OVERVIEW

3.3.3 Venue and hospitality expansion

The venue and hospitality expansion pillar is an important part of the overall business model. It provides ongoing revenue and earnings, promotes Partner brands and enhances their value by driving trial and adoption, increasing sales at full margin and supporting brand expansion into new markets.

Founders First aims to build a National portfolio of craft concept venues.

The venues may include single branded venues (sale of single Partner brand products only), and multi-branded venues (sale of multiple Partner brands). All venue opportunities are identified and selected for further evaluation based on an initial assessment of location, market opportunity, earnings potential and operational strength.

Founders First invests in three types of venues:

Partner managed

Many of Founders First's Partner businesses currently operate their own venues and this is an important part of an early stage craft business. In the Founders First model, these venues remain under the Partner's control and, where possible, Founders First takes a governance approach to managing its investment exposure. Partners currently managing their own venues include Sauce, Ballistic, Sparkke, Brogan's Way, Slipstream, Jetty Road and Foghorn.

Joint ventures

Founders First enters into joint venture arrangements with Partner operators to expand their venue footprint through Venue Partnering Agreements. Currently, Founders First has joint venture arrangements with SauceCo and Ballistic to develop, operate and manage brewpubs in new adjacent markets in Cairns and venues located outside of Queensland (respectively). See Section 9.17 for further details.

Wholly owned

Founders First will acquire or develop a select number of licensed premises and will own and operate these venues to drive brand awareness and local connections with Partner brands, grow sales and generate incremental profits from the retail sale of food, beverage and hospitality services. As at the date of this Prospectus, Founders First has entered into a binding agreement, subject to conditions relating to the lease term, to acquire its first wholly owned venue in Moonee Ponds (metropolitan Melbourne) which it expects to refit, rebrand and open in 2020. See Section 9.10 for further details.

3.3.4 Health, Safety and Environment

Founders First has a strong commitment to the health, safety and wellbeing of its employees and those of its Partners and for the protection of the environment in the manufacture of their products and delivery of their services. Founders First values each employee and acknowledges that the duty of care, responsibilities and obligations are a mutual relationship between Founders First and its employees and those of its Partners. Founders First believes that all injuries and incidents are preventable and its priority is to prevent any injuries or fatalities arising during the course of its employees, or those of its Partners, performing their services.

3.4 FOUNDERS FIRST REVENUE MODEL

Founders First derives revenue and shareholder value in a number of ways, including:

- consolidated earnings from Partners in which it has a controlling stake, which are currently Jetty Road, Foghorn and Founders Momentum;
- direct revenue, including sales commissions generated by the Indie Craft Collective and other services provided by Founders First;
- revenue or consolidated revenue from venues, depending on the ownership structure; and
- changes in the value of investments in its Partners.

3.5 FOUNDERS FIRST PORTFOLIO

Founders First's asset portfolio comprises, or after Completion of the Offer will comprise, a number of investments, including:

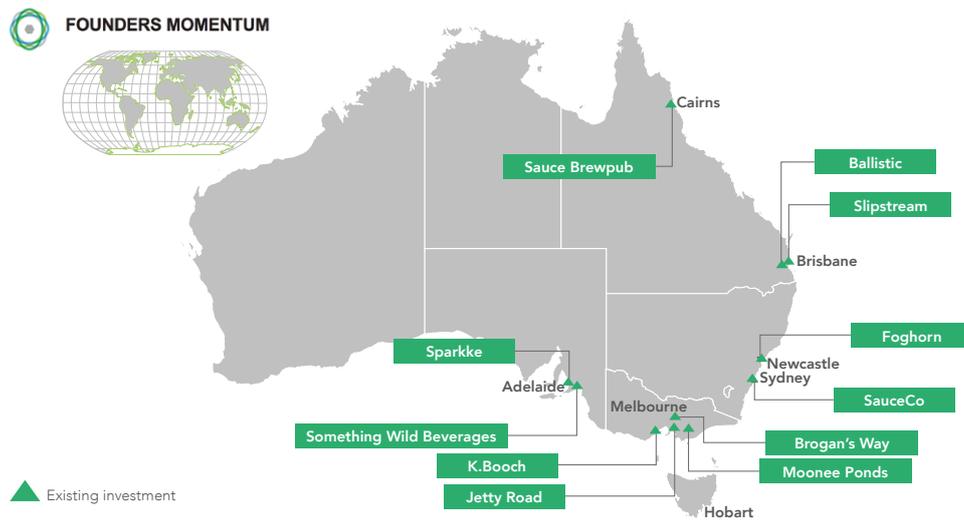
NAME	LOCATION	SUMMARY	CURRENT OR ANTICIPATED INTEREST (%) ¹
 Jetty Road	Mornington Peninsula, Victoria	Brewer and venues	55% + 100% of Dromana freehold
 Foghorn	Newcastle, NSW	Brewer and venue	75%
 Ballistic	Brisbane, Queensland	Brewer and venues	10%
 Slipstream	Brisbane, Queensland	Brewer and venue	45% and a call option for an additional 6%
 SauceCo	Marrickville, NSW	Brewer and venue	15%
 Sparkke	Adelaide, South Australia	Brewer and venue	Convertible note (42% on conversion)
 Brogan's Way	Richmond, Victoria	Distiller and venue	45%
 Something Wild Beverages	Adelaide Hills, South Australia	Distiller	5%
 K.Booch	Torquay, Victoria	Alcoholic kombucha	Convertible note (20% on conversion)
 Moonee Ponds	Moonee Ponds, Victoria	Venue leasehold	100%
 Founders Momentum	Adelaide, South Australia	Export business	100%

1. Please refer to Section 9 for further details regarding each investment, including any conditions precedent to be satisfied before the Company's interest will arise.

3 COMPANY OVERVIEW

The Company has also identified a pipeline of potential partnership investment opportunities across Australia and intend to assess these opportunities in due course.

Figure 3.6: Current portfolio of investment assets



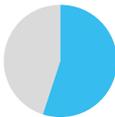
3.5.1 Investment approach

Founders First has established a well-defined and rigorous set of principles that guides its investment decision-making and enables it to drive its operational initiatives once it has invested.

Table 3.7: Founders First's investment guidelines

<p>Investment partner selection</p>	<ul style="list-style-type: none"> • Founders First seeks to invest in and accelerate attractive craft businesses with founders who have bold ambitions • Accordingly, partner candidates are identified and selected for further evaluation based on an initial assessment of: <ul style="list-style-type: none"> – The founders – The brands – The products – The venues • The high quality and scalability of the brands, products and venues can be improved, but only if the founders are ambitious and willing to grow and collaborate
<p>Venue site selection</p>	<ul style="list-style-type: none"> • Founders First seeks to establish a number of craft concept venues in Australia • Venue opportunities are identified and selected for further evaluation based on an initial assessment of: <ul style="list-style-type: none"> – Location: high growth area, nearby transport solutions, appropriately zoned, nearby competition – Market opportunity: potential for an iconic and unique venue – Earnings potential – Operational strength: existing capability and quality
<p>Opportunity evaluation</p>	<ul style="list-style-type: none"> • Prior to engaging stakeholders or entering due diligence processes, the merits of each opportunity is considered based on an initial assessment of: <ul style="list-style-type: none"> – Value: strategic, financial and operational – Feasibility: ease of implementation and cost – Risk: strategic, financial, operational and compliance – Timing of value creation and capital outlays – This evaluation forms the basis of any subsequent capture strategy development
<p>Portfolio prioritisation</p>	<ul style="list-style-type: none"> • Individual opportunities are evaluated relative to other opportunities in the portfolio – driving a focus on capturing “winners”

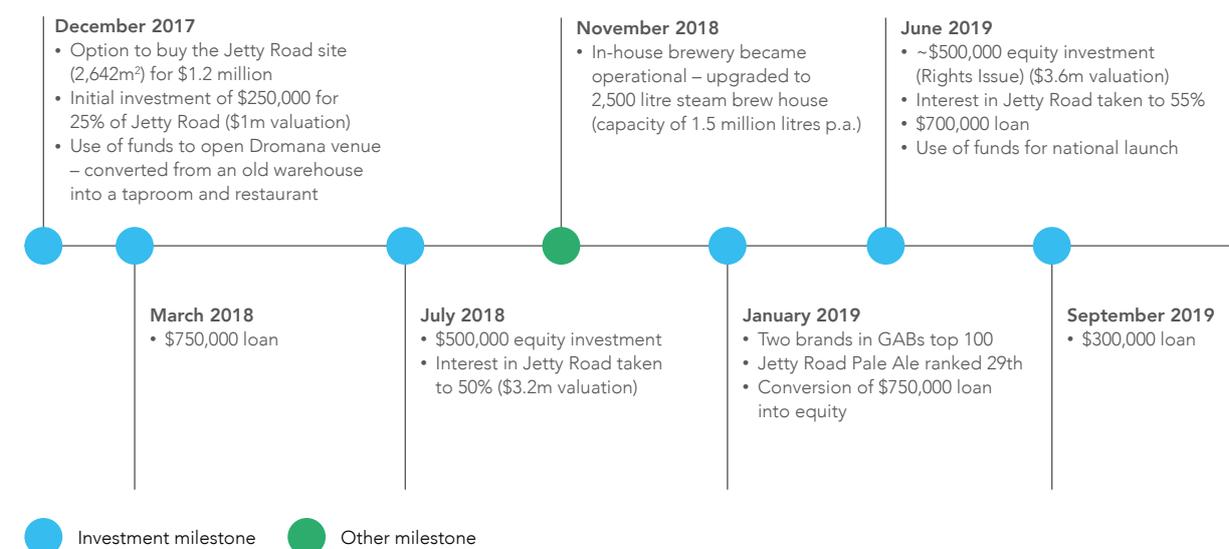
3 COMPANY OVERVIEW

3.5.2 JETTY ROAD		
	<p>Business name: Jetty Road Brewery Pty Ltd</p> <p>Established: 2014</p> <p>Birth place: Dromana, Mornington Peninsula, Victoria</p>	<p>Initial investment: December 2017</p> <p>Founders First current commitment: ~\$2 million (Equity), \$1 million (Loan Facilities)</p>
		 <ul style="list-style-type: none"> ● 55% held by Founders First ● 45% held by Founder/Other shareholders
<p>Revenue: FY18 \$1.5 million FY19 \$3.3 million ▲</p>		
<p>Current distribution: National (East Coast)</p> <p>Venue location – type/capacity: Dromana, Victoria – Brewery and Brewpub/200 persons</p> <p>South Melbourne, Victoria – Micro brewery and Brewpub/250 persons (Leased – under development)</p> <p>Product range: Four beers in the core/packaged range, plus 5 to 10 seasonal and specialty brews available in venue</p>	<p>Recent Awards: Australian International Beer Awards (AIBA) 2019: Gold – Jetty Road IPA, Bronze, Jetty Road Pale Ale, Jetty Road Draught</p> <p>Other awards: In a relatively short period, Jetty Road has achieved strong brand recognition with two of its brands attaining coveted awards in the GABs top 100 craft beers list, with Jetty Road Pale Ale ranking 29th and Jetty Road IPA ranking 76th overall.</p> <p>Export ready: Near term – active promotion in China</p>	
<p>www.jettyroad.com.au (Please see Section 9.13 for further details on the Jetty Road investment)</p>		
<p>The Inaugural Partner...</p> <p>Founded in 2014 on the Mornington Peninsula, Jetty Road started with two best friends, Grant & Blake, brewing beer in their coastal backyards. Their desire to create craft beer and share their creations with family and friends saw them engaging a contract brewer to supply kegs to local Mornington Peninsula venues and servicing community events and private parties from a mobile caravan.</p> <p>In 2017, with collaboration and the help of their community the ambitious founders opened the doors to a newly developed taproom and modern cuisine restaurant profiling the region's produce and creativity in the industrial estate of Dromana.</p> <p>In 2018, post Founders First's initial investment in December 2017, Jetty Road expanded its Dromana footprint to include a state of the art brew system and launched their first canned product into the market – Jetty Road Pale Ale.</p> <p>Founders First has supported brand building, the expansion of its core and specialty product range and assisted the team at Jetty Road to overcome the challenges associated with growing pains.</p> <p>The Indie Craft Collective was engaged in 2019 to broaden the reach of distribution points beyond the peninsula and drive commercial sales and distribution nationally. This November, Founders Momentum is presenting Jetty Road at the China International Import Expo being held in Shanghai.</p> <p>Wanting to spread the relaxed peninsula vibes with greater Melbourne, the team set about finding a city location and secured a lease in 2019 on an old mechanics/car yard in South Melbourne. Plans are being finalised for a significant transformation with a Jetty Road venue expected to open in the 2nd quarter of 2020.</p>		

Investment history in Jetty Road and milestones

Founders First has continued to invest and provide capital throughout Jetty Road's history and currently owns 55% of Jetty Road. Jetty Road has achieved substantial growth to date, with revenue growth from approximately \$100,000 in FY17 to \$3.3 million in FY19. Founders First has invested almost \$2 million in equity and an additional \$1 million dollars in loan funds to support this growth.

Figure 3.7: Milestones achieved through Jetty Road's history



Enhancing the value in Jetty Road

Further growth potential may be realised via the following avenues:

- Increased brewing capacity at Dromana (targeting an increase of 0.5 million litres to 2.0 million litres) to support wholesale and venue growth;
- Opening of the second Jetty Road brewpub in South Melbourne (with a patron capacity of 250);
- Supporting wholesale rollout and brand awareness, increasing consumer opportunity to trial and purchase and further expanding on distribution outlets via the Indie Craft Collective;
- Longer term plans to open additional interstate venues; and
- Roll out of brands in international markets through Founders Momentum.



3 COMPANY OVERVIEW

3.5.3 FOGHORN BREWERY



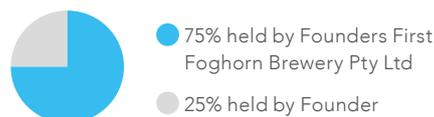
Business name:
Foghorn Brewery Pty Ltd

Established: 2014

Birth place: Newcastle, NSW

Initial investment: March 2019

Founders First current commitment:
\$750,000 (Equity) \$750,000 (Loan Facility)



Revenue: FY18 \$3.0 million FY19 \$2.8 million ▼

Current distribution: Newcastle

Venue location – type/capacity:
Newcastle, NSW – Brewery and Brewpub/250 persons

Product range: Four beers in the core/packaged range, plus 12 to 15 seasonal and specialty brews available in venue

Recent Awards: AIBA 2019: Silver – 4 Saisons in One Day, Bronze – Dads with Prams, Sligo Extra Stout, Bogannaire

Other awards: Shawn Sherlock – Brewer of the year (2012), Foghorn Venue – in “Beer and Brewer” magazine’s top 5 Australian brew-pubs every year since it was established

Export ready: Future potential

www.foghornbrewhouse.com.au (Please see Section 9.12 for further details on the Foghorn investment)

Newy’s Finest!

Shawn is a beer and brewing obsessive. While working as an academic, and dreaming of being a rockstar, he started brewing at home over 20 years ago and has been brewing commercially since 2006. He worked as both brewer and head brewer at Murray’s Craft Brewing Co from 2006 to October 2014, earning a reputation for brewing award winning, innovative, full flavoured beers.

FogHorn Brewery is the culmination of many years of studying the local and international Craft Beer sector – and a lot of daydreaming about setting up a brewhouse in the heart of his home town, Newcastle.

Once an abandoned warehouse in Newcastle’s sleepy CBD, today Foghorn’s brewhouse is an American foodie restaurant, live venue for eclectic music and a brewery. With a vision to play a role in rejuvenating the city, the team cleared out a colony of pigeons and built Newcastle’s first craft brewery. Since opening its doors to the public in April 2015, they have seen locals come eat, drink and play music as the area has grown livelier and livelier around them.

Enhancing the value in Foghorn...

The partnership with Founders First has supported the redevelopment and launch of the Foghorn brand, enabling Foghorn to extend and launch a core range of packaged products for takeaway and retail sales. The Indie Craft Collective has been engaged to drive retail and in-venue sales and distribution with an initial focus on the greater Newcastle region.

Future plans include the expansion of production capability, expansion of the distribution footprint, and the opening of an additional venue.



3.5.4 BALLISTIC BEER CO.

	<p>Business name: Ballistic Beer Company Pty Ltd</p> <p>Established: 2016</p> <p>Birth place: Salisbury, Brisbane, Queensland</p>	<p>Initial investment: October 2019</p> <p>Founders First current commitment: \$1.59 million (Equity)</p>
		<ul style="list-style-type: none"> 10% to be held by Founders First Ballistic Pty Ltd 90% to be held by Founder/founding shareholders
<p>Revenue: FY18 \$1.3 million FY19 \$3.4 million ▲</p>		<p>(note: unaudited, based on management accounts)</p>
<p>Current distribution: National</p> <p>Venue location – type/capacity: Salisbury, Qld – Brewery and Brewpub/150 seats West End, Qld – 100 seat Restaurant and Bar/100 seats Springfield, Qld – Micro Brewery and Brewpub/350 seats</p> <p>Product range: Five core beers plus seasonal feature beers in the packaged range available in major craft retailers and venues. Additional seasonal and specialty brews available in venue.</p>		<p>Recent Awards: AIBA 2019: Gold – Single Hop IPA NZ #4337, Silver – Ballistic Pale, Revelation IPA, Pilot Light Table Beer, Oaked XPA, Abnormal X Ballistic Collaboration Oaked Coffee Stout, Bronze – Dirty Word Lager, Twang – Guava & Passionfruit</p> <p>Royal Queensland Food and Wine Show Beer Awards 2019: Champion – Hybrid Oaked XPA</p> <p>Export ready: Near term</p>
<p>www.ballisticbeer.com.au (Please see Section 9.7 for further details on the Ballistic investment)</p>		

“More bang for your beer buds”

In 2015, after more than 14 years of setting up and running a chain of home brew stores (and of course a little home brewing), David decided it was time to start looking for a site for a brewery. After a year of searching, he found an amazing site in Salisbury.

That settled, he put out a call for a brewer and found Lachlan brewing in London, but keen to return to Australia. During their first meeting, conversation naturally turned to what to call the brewery. David and Lachlan have slightly different personalities, so choosing a name was not going to be easy. After a few false starts, they focused on the local area and discovered that Salisbury secretly produced much of the munitions used by the Australian army during WWII. Out of respect for the courageous efforts of the Salisbury community, the brewery was named Ballistic Beer Co. and the keg bomb chosen as the logo.

As David and Lachy started construction of the brewery, there were two things they both agreed were going to be critical to the future of Ballistic – great beers and a great place to drink them.

In October 2016 the brewing equipment arrived and was installed. The first beer was launched in January 2017. The Salisbury venue opened to the public in April 2017. A year later, in April 2018, they opened their second venue, a bar and 100 seat restaurant, in Brisbane’s bustling West End. Firm in their belief that great beer has the power to bring people together and grow communities, they recently opened their third venue in October 2019, in the Brisbane suburb of Springfield.

David sits on the board of the Independent Brewers Association, and is a passionate advocate for independent brewers and the brewing industry.

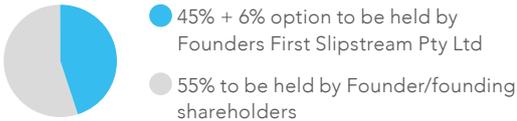
Enhancing the value of Ballistic...

The Indie Craft Collective has been engaged to continue to implement and expand their national sales strategy as well as provide sales administrative support. Founders Momentum will also support the Ballistic near-term focus on exporting the craft brand into Asia.

Joint venture partnerships with Founders First and their venue development and operations team will support the development of brewpub venues outside of Queensland.



3 COMPANY OVERVIEW

3.5.5 SLIPSTREAM BREWING		
	<p>Business name: Slipstream Brewing Pty Ltd</p> <p>Established: 2017</p> <p>Birth place: Yeerongpilly, Brisbane, Queensland</p>	<p>Initial investment: November 2019</p> <p>Founders First current commitment: \$1.50 million (Equity)</p>
		<p>Revenue: FY18 \$1.0 million FY19 \$1.3 million ▲</p> <p>Current distribution: Brisbane focus</p> <p>Venue location – type/capacity: Yeerongpilly, Qld – Brewery and venue (upgrade currently in planning)/250-300 people</p> <p>Product range: Six core beers in the packaged range, plus seasonal and specialty brews available in venue</p>
<p>www.slipstreambrewing.com.au (Please see Section 9.8 for further details on the Slipstream investment)</p>		
<p>Step into the slipstream...</p> <p>Deale and Elisa are self confessed ‘beer tourists’ frequently arranging travel plans based on ‘beer destinations’. Having visited the US and experienced the American beer scene with wide-eyed wonder, they knew there was no going back. A vision of a ‘hoppy future’ in Australia looked enticing.</p> <p>Returning to the US year after year, they explored different regions following good beer trails, and going on brewery tours. With each brewery they visited, and each beer they tasted, they asked themselves, “What do we love about this? What would we do differently?”</p> <p>Deale said “It’s hard to pinpoint the moment when we decided we were going to start our own brewery back home in Australia. But as soon as we did, we knew we’d be able to benefit from the innovations of some of the best breweries in the world.”</p> <p>Just 10 minutes out of the Brisbane CBD, in an industrial estate, the Slipstream brewpub is home to a state of the art, highly scalable brewery which is ready for expansion.</p> <p>Collaboratively Deale and Ian Watson, the chief brewer, with their love for all things hops, are ready to rev up both their distribution and their offering.</p>		
<p>Enhancing the value of Slipstream...</p> <p>Capital and the Founders First venue development and operations team will enable the conversion of the front section of the Slipstream site to a larger brewpub venue. More space and opportunity for visitors to access and experience the Slipstream offering is expected to drive incremental revenue growth. Moving the brewpub to the front of the site also enables expansion of the production and storage capacity which can also be shared by other Founders First Partners.</p> <p>In addition to this the Indie Craft Collective has been engaged to expand Slipstream distribution points with a national sales strategy as well as provide demand planning and sales administrative support.</p>		



3.5.6 SAUCE BREWING CO.

	Business name: SauceCo Pty Ltd Established: 2016 Birth place: Marrickville, Sydney, NSW	Initial investment: September 2019 Founders First current commitment: \$1.05 million (Equity) plus commitment for Cairns 50/50 joint venture of \$300,000 (Equity)
		 <ul style="list-style-type: none"> ● 15% held by Founders First SauceCo Pty Ltd ● 85% held by Founder/founding shareholders:
Revenue: FY18 \$1.2 million FY19 \$2.4 million ▲		(note: unaudited, based on management accounts)
Current distribution: Australia Venue location – type/capacity: Marrickville, NSW – Brewery and Brewpub/200 people Cairns, Qld – Micro Brewery and Brewpub (leased – under development)/400 people Product range: Six core beers, plus additional seasonal and specialty brews available in venue		Recent Awards: Independent Beer Awards 2019 Champion Session Beer: Piss-weak Sauce; Gold Medal: Bubble & Squeak; Silver Medal: Extra-hop Sauce Other awards: Featuring in the coveted GABs top 100 craft beers list, Sauce’s Trubble and Squeak and Bubble and Squeak snuck in at 98th and 99th position respectively. Export ready: Near term, mid-term, future potential
www.sauce.beer (Please see Section 9.6 for further details on the Sauce investment)		

Beer created with passion...

Sauce Brewing Co. sprung from a backyard dream that Mike decided he could turn into a career. In 2015 he made the big decision to quit a career in the telco business and start a brewery: graduating from stovetop brewing to launching the brand as a gypsy brewer in 2016. Mike has developed a strong following among Sydney’s craft beer buffs. He was joined by experienced brewer, Brodie French and now whether you’re a hop-head, a sour-freak, or you just like good quality, drinkable ales, they have a beer for you.

The Marrickville brewery opened in September 2016 and has a large taproom and a family friendly outdoor beer garden. Inspired by the weather, and the winter peak period that will help spread cashflow, plans are well under way to take the Sauce message north and open a new brewery and venue in Cairns in mid 2020.

Sauce produces six beers, distributed through major craft bars and retailers across Australia.

Enhancing the value of Sauce...

Sauce has partnered with Founders First and their venue development and operations team in a 50/50 joint venture to launch its first interstate brewpub in Cairns.

In addition to this, the Indie Craft Collective has been engaged to expand the national distribution footprint and manage the required sales force on the east coast as well as support production planning and provide sales administrative support.



3 COMPANY OVERVIEW

3.5.7 SPARKKE BREWING

	<p>Business name: The Sparkke Change Beverage Company Pty Ltd</p> <p>Established: 2016 (concept) – opened March 2019</p> <p>Birth place: Adelaide, South Australia</p>	<p>Initial investment: Investment post-IPO 2019</p> <p>Founders First current commitment: \$4 million (convertible notes)</p>
		 <ul style="list-style-type: none"> 42% held by Founders First Sparkke Pty Ltd on conversion of notes to equity 58% held by Founder/founding shareholders
<p>Revenue: n/a</p>		
<p>Current distribution: NSW and SA. Commenced a national expansion</p> <p>Venue location – type/capacity: Adelaide, SA – Micro Brewery and Brewpub/400 people</p> <p>Product range: Five core brews – Apple Cider, Ginger Beer, Hard Lemonade, Pilsner and Pale Ale in the packaged range are available, plus additional seasonal and specialty brews available in venue.</p>	<p>Awards: 2019 – Best New Restaurant in the SA Delicious Awards (Adelaide Advertiser)</p> <p>2019 – Restaurant ranked #23 overall in the SA Delicious Awards (Adelaide Advertiser)</p> <p>2019 – AHA SA Awards, For excellence: Redeveloped Hotel Metropolitan</p> <p>2018 – National Cider Awards, B.O.C. Silver</p> <p>Export ready: Mid-term</p> <p>International expansion of production and venues planned</p>	
<p>www.sparkke.com (Please see Section 9.9 for further details on the Sparkke investment)</p>		

Made by women for everyone...

Launched in late 2016 with one of Australia's most successful crowd-funding pre-sale alcohol campaigns, Sparkke remains an edgy social enterprise founded and led by women. They produce all-natural craft beers, non-beer brews, cider and wine, and distribute nationally.

Their award-winning core range of 100% natural brews are vegan and/or gluten free and aim for lower alcohol by volume by category. Sparkke is underpinned by the values of inclusion, social equity, individuality, raw truth, passion for excellence and care for others. Through messaging on cans and marketing led funding initiatives, they raise awareness and support for important social issues.

Sparkke focuses on millennials and their allies; a community who see themselves as individuals, not a demographic, a label or an economic segment. They believe discrimination needs to stop and that everyone deserves a voice. Sparkke's community use their purchasing dollars for good and make conscious choices about where they focus their time and resources to effect change.

In early 2019 the first brewpub opened on Whitmore Square in Adelaide; plans to take the Sparkke brand and its venues interstate and to international markets are well advanced.

Enhancing the value of Sparkke...

Invested capital will be used to improve the business' supply chain, as well as facilitate the opening of the first interstate brewpub planned in Melbourne. The Sparkke team is expected to work closely with the Founders First venue development and operations team on this project. Additionally, the Indie Craft Collective has been engaged to develop and support a national sales strategy including the provision of production planning and sales administrative support. Export opportunities will be progressed, and include the development of licensing and off shore venue opportunities.



3.5.8 BROGAN'S WAY

	Business name: Poison Creek Distilling Pty Ltd Established: 2018 Birth place: Richmond, Victoria	Initial investment: November 2019 Founders First current commitment: \$900,000 (Equity)
		 <ul style="list-style-type: none"> ● 45% held by Founders First Brogan's Way Pty Ltd ● 55% held by Founder/founding shareholders
Revenue: FY18 n/a FY19 \$0.4 million ▲		(note: unaudited, based on management accounts)
Current distribution: Victoria Venue location – type/capacity: Richmond, Victoria – Distillery, with cocktail bar/120 people Product range: Four core gins in the packaged range, plus additional seasonal and specialty beverages available for purchase in venue, on-line and at independent retail outlets		Recent Awards: Australian Distilled Spirits Awards 2019: Gold: Royal Blood Gin, Bronze: Everyday Salvation Gin, Evening Light Gin – Bronze San Francisco World Spirits Competition 2019: Silver: Royal Blood Gin, Everyday Salvation Gin; Bronze: Evening Light Gin Australian Gin Awards 2019: Silver: Royal Blood Gin; Bronze: Everyday Salvation Gin, Evening Light Gin Export ready: Mid-term, future potential
www.brogansway.com.au (Please see Section 9.11 for further details on the Brogan's Way investment)		

Science... Botanicals... Gin...

At a family dinner, on a cold winter evening in Melbourne, Brogan Carr decided to turn her dream of being a distiller into a mission. The qualified laboratory scientist, with a self confessed love of the precision of science, undertook a Master of Science in Brewing & Distilling from Heriot Watt University in Edinburgh.

There are a range of unique Australian botanicals in Brogan's Way gins, inspired by the possibilities of bringing native flavours together. Brogan is clear in her objective of challenging the ingrained concept of what gin is and showing how diverse it can be.

Three years after starting on the mission, Brogan's Way is a distillery and cocktail bar, with a capacity for 120 patrons. With a strong emphasis on collaboration with other distillers, the distillery has strong potential to drive additional revenue through research and product development – as well as contracting production capacity to third parties.

Enhancing the value of Brogan's Way...

Investment will support the working capital required to expand production volume, recipe development and further contract production opportunities. Brogan's Way has also engaged the Indie Craft Collective to accelerate commercial sales and distribution.



3 COMPANY OVERVIEW

3.5.9 SOMETHING WILD BEVERAGES



Business name: Something Wild Beverages Pty Ltd

Established: Adelaide, 2018

Birth Place: Adelaide, South Australia

Export ready: Near to mid term

See Section 9.14 for further details.

Bush Tucker Gin

In August, 2019 Founders First acquired a small equity position in Something Wild Beverages, an early stage, super premium gin located in the Adelaide Hills. The award winning 'Green Ant Gin' contains native ingredients harvested from the NT. Traditionally favoured by Indigenous societies for their medicinal benefits and protein content, Green Ants display vibrant flavours of Lime and Coriander. This unique bush tucker is hand harvested in the Northern Territory by the Motlop family of the Larrakia people and utilised in Green Ant Gin.

With access to a range of unique flavours and indigenous community point of difference we hope to recognise the potential to see this product and brand scale nationally and globally.



3.5.10 K.BOOCH



Business name: K.Booch Alcoholic Kombucha Co Pty Ltd

Established: Torquay, Regional Victoria, 2019

Birth Place: Torquay, Regional Victoria

www.kbooch.com.au

See Section 9.15 for further details.

Hard Kombucha...

K.Booch was born out of putting a shot of gin in with home made kombucha! It was amazing, but we really wanted a more developed flavour profile. We then attempted to secondary ferment our kombucha, hoping that this process would add another level of depth and flavour to this already fantastic drink. We were right!

K.Booch now has a range of four flavours (blood orange, ginger & lime, rose & berry, pineapple & watermelon) which have been created by a love of kombucha and the beautiful natural flavours. Nick is committed to creating the most delicious alcoholic kombucha on the market using the highest grade juices and ingredients, with the trend toward "healthy" beverages.



3.5.11 "FOUNDERS" – MOONEE PONDS



Business name: Founders – Moonee Ponds

Model: Owned and operated by Founders First

Location: 690 Mt Alexander Rd, Moonee Ponds VIC 3039

Capacity + Licence: Late Night on-premise licence with capacity for 500

Hours of operation (licence): 7am – 1am, 7 days a week

Initial investment due: January 2020

Founders First current commitment: \$1 million (Equity)



We are reimagining the pub space with comfortable, hospitable spaces and local creative food. We are setting the tone for future venues showcasing the Founders First Partner brands and beverages. Founders will be a place where people of all ages and types can come together and experience truly great hospitality. It will be a place where we can build passion and excitement for Founders First partners brave enough to follow their dreams.

The initial concept venue, located in Moonee Ponds, is situated near Moonee Valley Race Club (less than 1km). Moonee Valley Race Club is currently going through major redevelopment, along with significant development in the area (e.g. Caydon’s project) reflecting gentrification.

In October 2019, Founders First entered into a binding agreement to acquire the lease and associated assets from the Moonee Ponds venue’s vendor (subject to the satisfaction of certain conditions precedent). While the Moonee Ponds venue was previously a modern sports bar, Founders First intends to upgrade and redesign the site (including adding a rooftop bar, which already has planning approval) to increase venue capacity to approximately 500 patrons.

The objective of this venue is to:

- sell partner products driving trial and awareness;
- generate revenue and cashflow for broader business goals;
- drive sales of partner brands offsite retail – wholesale;
- grow partner brand awareness, trial and adoration; and
- create a repeatable hospitality model that can be replicated nationally.

Please see Section 9.10 for further details on the Moonee Ponds investment.



3 COMPANY OVERVIEW

3.5.12 FOUNDERS MOMENTUM INTERNATIONAL

	<p>Business name: Founders Momentum International Pty Ltd</p> <p>Operating entity: Momentum Food and Wine</p> <p>Established: 2019 (acquired Momentum Food and Wine, established in 2006)</p>	<p>Initial investment: August 2019</p> <p>Founders First current commitment: \$750,000 (Equity), \$200,000 (Loan Facility)</p>
		
<p>Revenue: FY18 \$1.3 million FY19 \$1.4 million ▲</p>		
<p>Location: Offices located in Adelaide, SA</p>		<p>Current Export Markets: China</p>
<p>www.momentumfoodandwine.com.au (Please see Section 9.16 for further details on the Founders Momentum investment)</p>		

Established in 2006, Momentum Food and Wine has been exporting wine around the world for 13 years and now exports multiple products including Manuka Honey and Alpaca quilts. They are approved by the Australian Federal Government and Australian Border Force as an Australian Trusted Trader. This recognition has a number of benefits including enabling a more streamlined customs experience for their clients.

Founders Momentum was established to enable acquisition of this business from John Hood, a Non-Executive Director of the Company, and Founders First now holds 100% of the interest in this export business. The seasoned team has over 40 years of experience in global markets. Currently the key focus is on the Chinese market where they have had long standing relationships and have recently commenced introducing craft beer from the Founders First Partners.

The addition of Founders Momentum to Founders First’s portfolio provides further strength to the commercial business acceleration pillar by supporting growth of brands into overseas markets. The business is currently profitable and has potential to expand into other markets outside of China.



RISK FACTORS

4



4 RISK FACTORS

4.1 INTRODUCTION

Any investment in shares is subject to a number of risks. This Section 4 describes some of the potential risks associated with the Company's business, the industry in which it operates and an investment in the Shares. Some risks are specific to the Company's business activities, while others are more general in nature. Section 4 does not purport to list every risk that may be associated with the Company or its Partners or an investment in the Shares. The occurrence or consequence of some of the risks described in Section 4 is partially or completely outside the control of the Company and its Directors.

Prior to applying for Shares, Applicants should read the Prospectus carefully and in full and satisfy themselves that they have a sufficient understanding of the risks associated with the Company and an investment in the Shares before deciding whether the Shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances and taxation position. If Applicants are unclear in relation to any matter associated with an investment in the Company, they should seek professional advice from their stockbroker, solicitor, accountant, financial adviser or other independent professional adviser before deciding whether to invest in the Company.

4.2 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

4.2.1 Speculative investment

The Company was established in 2017 and therefore has only a limited operating history and is not profitable. It is investing in early stage businesses, many of which are unprofitable. It is therefore not possible to evaluate the Company's future prospects based on past performance. Further, the Company is planning to launch venues and the entity has no history of undertaking this successfully. An investment in the Company should be considered speculative.

4.2.2 Impact of failure to implement the investments

As set out in this Prospectus, the Company proposes to undertake a number of investments in breweries, distilleries and venues in conjunction with the Offer. While the Company has contracts with the Investees (as set out in Section 9), there are condition precedents usual with these types of investments. Some conditions precedent may be reliant on third party consents or approvals which are outside of the control of the Company, the prospective Partner or counterparties to the transaction. Please see Section 9 for the details of the investments currently being undertaken by the Company, including the conditions precedent to those transactions. Should those condition precedents not be met, the terms of some of the investments may change or some of the investments may not complete.

The Company will undertake a level of integration between its Partners. There is a risk that these integrations will not be successful which may impact the performance of the Company.

4.2.3 Reliance on key personnel

The Company's success depends to a significant extent on the senior management and key personnel of both the Company and its Partners (including the Company's management and the founders, brewers and distillers of its Partners). These individuals have extensive experience in, and knowledge of, their respective company's products and business and material networks and relationships which are expected to assist in driving the growth in sales of Partner products. The loss of one or more of these key personnel, or any delay in finding a suitable replacement for such personnel, may have a detrimental impact on the Company.

4.2.4 Sales and marketing success

A key component of the Company model is the Indie Craft Collective sales team and its role in the successful distribution of Partner products. The success of the Company and its Partners is dependent on the success of the sales team to market and distribute Partner products. The Company will increase its cost base to achieve this. In the event that the sales team's activities are not successful, the Company's earnings and the value of the investments in its Partners could be adversely affected.

4.2.5 Failure to scale up and commercialise the Company's offering

There is a risk that the Company will be unable to achieve sufficient scale in the commercialisation of its products or the Partners with their products, which will have a significant adverse impact on the Company's business model, operating results and financial position and could potentially result in reduced or negative growth. This is particularly the case given the Company will increase its overhead costs as it executes its growth plans. Further, given the Company and each Partner rely on numerous counterparties in the conduct of their respective operations, the ability of the Company and each Partner to successfully commercialise their products and scale up their respective operations will depend on the performance of these counterparties to each agreement. There can be no assurances that the Company or its Partners will achieve sufficient scale in the commercialisation of its products or services.

4.2.6 Control and minority shareholdings

Most Partners have, or will have, shareholders other than the Company. Further, the Company may only have minority stakes in a number of these Partners. The operations of these Partners may be controlled by the other shareholders and the Company may not be able to create the value it anticipates as a result. Separately, there is also a risk of disputes with these shareholders or disagreement on the strategy or operations of the Partner. Such disputes may result in the Company, the Partner or both incurring substantial costs in litigation or dispute resolution, or compromise the Partner's operations as a result.

4.2.7 Investments, joint ventures and shareholder dilution

As part of the Company's growth strategy, it intends to undertake further acquisitions, investments and/or joint ventures. There can be no assurance that the Company will be able to identify and implement such opportunities and acquire or integrate such businesses.

It is likely that the purchase consideration for such transactions could include Shares issued directly to the vendor(s) of a new Partner, in which case the interests of existing Shareholders may be diluted. Alternatively, the Company may undertake additional equity raisings to finance these transactions or to grow its existing Partners in which case the interests of existing Shareholders may be diluted.

Further, given the speculative nature of the Company's investments in its Partners, and that such Partners may require additional capital to capitalise on its growth opportunities, additional equity may be issued in the Partners. While the Company has, and in respect of future Partners will endeavour to have, a pre-emptive right to participate in any equity issues conducted by a Partner, there can be no assurances that any such capital raising will be on commercially viable terms and that the Company's interest in that Partner won't be diluted as a result of the Company's non-participation in the capital raising.

4.2.8 Counterparty risk

The Company has a range of investments and joint ventures with third party shareholders and partners. Further, each of the Company's Partners has many contractual arrangements with customers and suppliers. There is a risk that these parties, both counterparties and Partners, may default on their contractual obligations or fail to meet their capital commitments. This may have adverse effects on the operations and prospects of the Company and/or the relevant Partner.

4.2.9 Food hygiene and safety

Selling food and beverages for human consumption carries inherent risks related to food safety. Food safety incidents (such as tampering or contamination) could result in product liability lawsuits, product recalls, reputational damage and potential civil or criminal liability. Product recalls could result in significant losses because of the destruction of inventory and lost sales due to product unavailability, and any safety incidents could adversely affect the Company's, or its Partners', ability to retain existing customers or attract new customers. Food tampering, including the introduction of foreign objects, chemical or biological contaminants into suppliers' products, could also result in serious harm to consumers.

Food safety also depends on appropriate storage during transport and the Company's Partners depend on their suppliers and transport agents to maintain appropriate storage conditions. There is a risk that if food or beverage products are transported, stored or handled inappropriately by third parties, then such products may be contaminated. Contamination may result in food-borne illness and reputational damage to the Company or the Partner with a significant adverse impact on the Company's or the relevant Partner's financial performance.

4.2.10 Brands owned by Company's Partners

The products and services of the Company and its Partners are sold under a number of brands. These brands and images are key assets to the Company and its Partners. In the event that a brand or image is damaged in any way or loses its market appeal, the Company's business and financial performance could be adversely impacted.

4.2.11 Defect with products/services

The Company is reliant on the quality of the products or services provided by its Partners, venues or the Indie Craft Collective meeting regulatory and community standards. If the Company or any Partner experiences a defect or deficiency with its products and/or services, the Company could suffer customer and revenue loss, material harm to its reputation and/or significant expenditure to remediate the issue.

4 RISK FACTORS

4.2.12 Loss of key customers

The Company and its Partners have established and will continue to establish important customer relationships (including distributors, retailers and other customers). The loss of one or more key customers is likely to adversely affect the operating results of the Company and/or its Partners.

In particular, Jetty Road supplies its packaged beer products to several liquor retail chains, each of which is owned by a major food and beverage retail group in Australia. Where Jetty Road supplies its products to these liquor retailers for distribution, those retailers have a discretion as to whether they withdraw or recall the products from sale. Where Jetty Road's products are withdrawn or recalled from sale, the retailer may elect to terminate the agreement and there is a risk that Jetty Road may suffer negative publicity. Accordingly, the financial position and prospects of Jetty Road, and as a result, the Company, may suffer if products are recalled or these distribution agreements are terminated.

None of these liquor retailers are under any obligation to submit purchase orders to Jetty Road or any Partner and, accordingly, there is no guarantee that Jetty Road or any Partner will continue to supply its products to these liquor retailers.

4.2.13 Reliance on third party brewers and distillers

The Company's Partners currently, or in the future may, rely on third party contract brewers or distillers to produce their products. If the third party contract brewer or distiller experiences problems at its production facilities, is unable to maintain adequate manufacturing capacity, or adhere to product specifications and quality control standards, the Company's and the Partner's financial performance may be detrimentally affected. Similarly, if the prices charged by the third party contract brewer increase, the cost of manufacturing the products would increase. To the extent the Company or its Partners have not estimated the price of brewing or distilling and packaging the products accurately, or to the extent that such prices vary from those forecasts, the amount paid by the Company or its Partners to produce and package their products may diverge from estimates, and result in a lower than forecast return on certain products.

If the third party contract brewer's brewing services become unavailable or the Company and its Partners are unable to secure such services on favourable terms after the expiry of the relevant contractual terms, the Company and the Partner may face difficulties in locating a substitute contract brewer and may be unable to secure such substitute brewer on commercial terms or at all.

Australia requires manufacturers to meet certain standards in terms of food and beverage safety, product quality, labour laws and other matters. Any failure by the third party contract brewer to meet these standards and to adhere to safety, labour or other laws, and the potential negative publicity relating to such failure, could harm the Company's business and reputation.

4.2.14 Jetty Road's contract with Brick Lane

Jetty Road relies on Brick Lane as its exclusive third party contract brewer via the Contract Brewing Agreement (see Section 9.13). The Company receives a commission on certain revenue generated by Jetty Road from the sale of its beer in addition to earning consolidated revenue from Jetty Road's sales. If the Contract Brewing Agreement with Brick Lane is terminated for any reason and an alternative brewer is not found in a timely manner or on similar commercial terms, Jetty Road may be unable to satisfy its contractual obligations to its customers and the Company's earnings and financial condition could be adversely affected.

Separately, the Contract Brewing Agreement does not require Brick Lane to keep confidential the information provided by Jetty Road and may not effectively prevent the use of Jetty Road's intellectual property by Brick Lane and does not provide a remedy in the event of unauthorised disclosure of confidential information or intellectual property. There is also a risk that the intellectual property rights in Jetty Road's products may be subject to a third party such as an employee of Brick Lane asserting a claim of intellectual property rights in the products. Failure to adequately protect the intellectual property could enable competitors to develop similar products that compete with Jetty Road's products or cause additional, material adverse effects upon Jetty Road's business, results of operations and financial condition.

Sparkke also engages Brick Lane as its contract brewer on contractual terms similar to those applicable to Jetty Road. Accordingly, the risks applicable to Jetty Road under the Contract Brewing Agreement also apply to Sparkke.

4.2.15 Reliance on third party storage and transport suppliers

The Company and its Partners depend on third parties to store, transport and deliver their products to various distribution points. The Company has limited internal storage, transportation and delivery capabilities of its own, and accordingly, it is vulnerable to delays in transportation or delivery, to insufficient storage or increases in the cost of transportation, delivery and storage services. Products which are fragile may be damaged during the delivery process.

The Company or its Partners may be unable to recover the cost of such goods, or may be liable for fines, penalties or costs associated with delivery delays under customer contracts, which may adversely impact on the Company's financial performance.

4.2.16 Intellectual Property

The success of the Company and its Partners is dependent on the ability to protect their intellectual property, including trademarks and brands, copyright (including recipes), trade secrets and other intellectual property rights. There is a risk that this intellectual property may be the subject of unauthorised disclosure or be unlawfully infringed either by breach of contract or failure of the Company or its Partners to protect their respective intellectual property. The Company may also incur substantial costs in asserting or defending its intellectual property rights.

4.2.17 Financing risks

The funds raised pursuant to the Offer will be used to accelerate the Company's business, marketing and growth plans. If the Company incurs unexpected costs or is unable to generate sufficient revenue, further funding may be required. The Company may require additional funding to carry out the full scope of its plans. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance. Any additional financing through Share issues may dilute shareholdings. Debt financing may not be available to support the scope and extent of proposed capital plans. If available, it may impose restrictions on operating activities or anticipated expansion of the Company's operations or those of its Partners.

4.2.18 Technology and cyber-security risks

The Company intends to develop an online e-commerce platform (**Platform**) to support its ongoing strategy. Further, the Company currently uses several online technology solutions to manage various aspects of its business operations. The Company will rely on such technology to operate the Platform and relies on it currently for its business more generally. While the Company has no reason to believe that the security measures in place are not sufficient to protect its technology, systems and information from unauthorised access, it is possible that these measures may not be adequate. Security breaches may involve unauthorised access to the Company's systems and databases and the deployment of malicious software designed to create system and service disruptions or access financial or personal information.

Any security breaches or other unauthorised access to the Company's IT systems or customer data may subject the Company to mandatory disclosure obligations, claims by Investees, customers or other persons affected, disruption of services to customers, legal action and regulatory consequences. Any of these events could adversely impact the Company's reputation, operation of the business, financial condition and financial performance.

4.2.19 Unforeseen expenses

The Company is not aware of any expenses that it will be required to incur in the two years after listing and which it hasn't already taken into account. However, if the Company is required to incur any such unforeseen expenses then this may adversely affect the currently proposed expenditure plan and existing budgets for the Company's activities or the activities of its Partners.

4.2.20 Occupational health and safety

The Company has a strong commitment to achieving safe performance at its sites and those of its Partners. Site safety and occupational health and safety outcomes are a critical element in the reputation of the Company and its Partners and their ability to operate their businesses.

Additionally, laws and regulations as well as the requirements of customers may become more complex and stringent or the subject of increasingly strict interpretation and/or enforcement. Failure to comply with applicable regulations or requirements may result in significant liabilities, suspended operations and increased costs.

Industrial accidents may occur in relation to the performance of the Company's services or those of its Partners. Such accidents, particularly where a fatality or serious injury occurs, or a series of such accidents occurs, may have operational and financial impacts for the Company or its Partners which may negatively impact on their financial performance.

4 RISK FACTORS

4.3 RISKS RELATED TO THE INDUSTRY IN WHICH THE COMPANY OPERATES

4.3.1 Adverse change in input costs

The Company's financial performance and that of its Partners are subject to a variety of input costs, which may change beyond the Company's control. This includes changes in the pricing of raw materials including malt, sugar, hops, bottles and packaging and changes in utility costs such as electricity, gas and waste water services.

Further, the supply of natural ingredients required for the manufacture of beer, such as hops, are subject to a variety of agricultural factors beyond the control of the Company or its Partners, such as weather conditions, disease, pests and rainfall. To the extent that such agricultural factors adversely impact the quality and quantity of ingredients available for production of the products, the Company and its Partners may have difficulty in securing a stable supply of such ingredients, adversely affecting their ability to manufacture the products.

4.3.2 Licensing and regulatory risk

The Company and its Partners currently, or intend to, operate licensed venues. The introduction of new legislation or amendments to existing legislation by governments, including the various liquor licensing regimes which operate throughout Australia, or the respective interpretation of the legal requirements in any of the jurisdictions which govern the operations and contractual obligations of the Company and its subsidiaries, could impact adversely on the assets, operations and financial performance of the Company and its Shares.

The alcohol industry is highly regulated in Australia, and regulations govern many parts of the Company's and its Partners' and venues' operations, including sales, distribution, advertising, marketing and manufacturing. Any amendment to existing regulations or the enactment of new regulations may increase the cost of the products, or hamper the ability of the Company or its Partners to advertise, market and sell their products.

The Company and its Partners will also be subject to other regulations including food safety laws, and any failure to abide by these regulations could impact the performance of the Company or its Partners.

The Company and its Partners are subject to privacy laws in Australia. These laws regulate the handling of personal information and data collection. Such laws impact the way those entities can collect, use, analyse, transfer and share personal and other information. Any actual or perceived failure by those entities to comply with relevant privacy laws and regulations may result in the imposition of fines or other penalties, client losses, a reduction in existing services, and limitations on the use and development of technology requiring the input of such data. Any of these events could adversely impact the Company's business, financial condition and financial performance.

In addition, there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

4.3.3 Competition risks

The Company and its Partners compete with a wide range of participants in the craft beverage and broader beverage industries. There can be no assurance that the actions of competitors or changes in consumer preferences will not adversely affect the Company's performance. There is also no guarantee that existing competitors will not release further competitor products which may impact upon demand for the Company's Partner products. It is also possible that new competitors will enter the craft beverage industry. An increase in competition may result in the Company having to increase its sales and marketing activities or adjust the pricing model or that of its Partners to respond to the increased competition.

4.3.4 Demand

The Company's Partners operate within the consumer goods sector in which demand for beer and spirit products is subject to changes in consumer preferences and tastes. The nature of the Company's business or those of its Partners is such that its revenues are impacted by consumer demand. Any significant decrease in demand for the products of its Partners would be likely to have a material adverse effect on the financial performance of the Company.

Further, many of the products produced by the Company's Partners have only been retailed in selected independent liquor outlets. Accordingly, production, sales and distribution of these products have been limited. Therefore there is no guarantee that there will be significant consumer demand for these products once the products are launched on a wider basis.

Similarly, the Company intends to explore export opportunities within Asian markets for the products produced by the Company's Partners. To the extent that such opportunities are pursued, these products may be new products in these markets, and there is no guarantee that local consumers will take up the product. These products may be unable to compete with established brands on pricing or the flavour profile of these products may not be suited to consumers in these markets.

4.4 GENERAL RISKS

4.4.1 Potential fluctuations in prices of Shares

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price for the Shares will increase following their quotation on the ASX, even if the Company's earnings increase.

The market price and demand for shares quoted on the ASX could be volatile or fluctuate due to numerous factors including fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which the Company operates and general operational and business risks.

Other factors which may negatively affect investor sentiment and influence the Company specifically or the share market more generally include financial crises, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events.

4.4.2 Liquidity of shares

There is currently no public market through which the Shares of the Company may be sold. On completion of the Offer, there can be no guarantee that an active market will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares and may prevent investors from acquiring more Shares or disposing of Shares. It may also affect the prevailing market price at which the Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

Further, as detailed in Section 8.20, subject to the Company receiving certain confirmations and relief from ASX and ASIC, the Company expects that, on Admission, between 65.5% and 74.3% of the Shares on issue will not be able to be traded for a period after listing (see Section 8.21). Given the number of Shares restricted from trading, there will only be liquidity with respect to between 25.7% and 34.5% of the Shares on admission to the Official List until such time as the applicable Escrow Periods end. The absence of any sale of Shares by the Escrowed Securityholders during this period may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares.

Following release from Escrow Restrictions, Shares held by the Escrowed Securityholders will be able to be freely traded on the ASX in the form of Shares. A significant sale of Shares by the Escrowed Securityholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares. The interests of the Escrowed Securityholders may be different from the interests of investors who acquire Shares in the Offer.

4.4.3 Risk of currency movements

The Company will operate in Australia and intends to trade in multiple international jurisdictions through Founders Momentum, the export business in which it holds a majority interest. Accordingly, the Company will be exposed to fluctuations and volatility of the rates of exchange between the Australian dollar and the currencies of those international markets. Any adverse movement of international currencies against the Australian dollar as well as other adverse exchange rate fluctuations or volatility, particularly during the period between when an invoice is issued and when payment is made, could have an adverse effect on the Company's future financial performance and position.

4.4.4 Inability to pay dividends or make other distributions

The Company has not to date paid any dividend on its Shares or generated any full year profits. The Directors have no current intention to declare and pay a dividend and there is no certainty that the Company will pay dividends in the future. To the extent that the Company does pay dividends in the future, there is no guarantee that it will have sufficient franking credits to fully frank dividends or that the franking system will not be varied or abolished.

4.4.5 Taxation generally

The acquisition and disposal of Shares will have tax consequences for investors, which will vary depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent professional taxation and financial advice about the consequences of acquiring and disposing of Shares from a taxation viewpoint and generally.

4 RISK FACTORS

4.4.6 Taxation reform

Any changes to the current rate of company income tax in the markets in which the Company operates may impact Shareholder returns. Any changes to such tax laws, the way they are interpreted and applied, or the current rate of taxes may have an adverse effect on the Company's financial performance or results. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation or franking and Shareholder returns.

4.4.7 Exposure to general economic conditions

The operating and financial performance of the Company is influenced by a variety of general domestic and global economic and business conditions that are outside its control, including long-term inflation rates, exchange rate movements, interest rate movements and movements in the general market for the ASX and internationally listed securities. A prolonged deterioration in general economic conditions, for example a decrease in consumer and business demand which may affect the demand for the Company's business offering, may have a material adverse impact on the financial performance, financial position, cash flows, dividends, growth prospects and share price of the Company.

4.4.8 Force majeure events may occur

Events may occur within or outside Australia that may have potential impacts on the Australian economy, the operations of the Company and the price of its Shares. These events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on the demand for the Company's products and services and its ability to conduct business.

4.4.9 Changes to regulations or accounting standards

There is a risk that laws or regulations may be introduced or amended in Australia, or in foreign jurisdictions in which the Company may operate. Changes to the regulatory environment could have a material effect in a number of ways. For example, changes to legislation involving the imposition of additional reporting or licensing requirements on the Company may increase costs of compliance, and impact the Company's profitability. In addition, changes to legislation relating to data security in any relevant market or jurisdiction may impact the way the Company's platform operates or the cost of operation of the platform, and impact the Company's ability to offer certain products or features of products to customers. While the Directors are not aware of any current issues, or any impending regulatory change in relevant markets, there is the potential for any such measures to materially reduce the Company's revenues or increase its costs.

Changes to any applicable accounting standards or to any assumptions, estimates or judgments applied by management in connection with complex accounting matters may adversely impact the Company's financial statements, results or condition.

BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

5



5 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

5.1 BOARD OF DIRECTORS

At the time of the proposed ASX Listing, the Board will comprise five members, including three Executive Directors and two Non-Executive Directors. Their biographies are set out below:

DIRECTOR & EXPERIENCE



Robin Levison

Chairman and Non-Executive Director

Appointed 22/2/2018

- More than 15 years experience in small to mid-cap corporate finance and restructure
- Currently Executive Chairman of PPK Group
- Previously Managing Director and CEO of Industrea Limited
- Former Global Director of M&A at GE Mining
- Board experience across ASX and NZX listed companies



John Hood

Non-Executive Director

Appointed 22/2/2018

- Significant experience in accounting and finance
- Currently holds a number of directorships including Flinders University, Intersect and Foodbank (SA)
- Previously director of Port Adelaide Football Club
- Held senior roles with PwC and was a Partner at Deloitte



Stuart Morton

Founder, Investments and Business Development Director

Appointed 13/11/2017

- Co-founder of AIM-listed Empresaria Group plc which developed a similar investment model to the Company
- Extensive experience within the property industry
- Currently Chairman of Founders First Investees, Jetty Road and Foghorn



Daniel Wales

Founder, Category and Marketing Director

Appointed 13/11/2017

- Over 20 years of experience in senior sales, marketing and strategy roles with the largest Global Fast-Moving Consumer Goods food and beverage multinationals
- Former Sales Category and Strategy Director at Lion
- Previously Head of Category and Strategy for Treasury Wines Estates



Mark Haysman

CEO and Managing Director

Appointed 19/11/2018

- Over 25 years experience in the beverages, retail and hospitality industries
- Previously National Field Sales Director with Carlton & United Breweries (AB InBev)
- Former CEO of the Port Adelaide Football Club
- Held various positions with Deloitte

Each Director has confirmed to the Company that they anticipate being available to perform their duties as Non-Executive or Executive Director as the case may be without constraints from other commitments.

The Board considers that Robin Levison is free from any business or any other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of his judgement and is able to fulfil the role of an independent Director. The Board has adopted a definition of independence that is based on the definition set out in the ASX Corporate Governance Principles and Recommendations.

Each of Mark Haysman, Stuart Morton and Daniel Wales are not currently considered by the Board to fulfil the role of independent Director due to their executive roles with the Company. Notwithstanding John Hood's interest in the contract with Humaneer (discussed in Section 5.4.5 of this Prospectus) and his interest in the FMI Performance Rights, the Board has resolved that these interests are not material and will not interfere with his capacity to bring an independent judgement to bear on issues before the Board or his ability to act in the best interests of the Company as a whole. In considering this resolution, the Board considered various factors such as Board decision making and that John Hood will be excluded from conversations and decisions which may impact on actual or potential benefits to Founders Momentum, John Hood's minimal involvement within the governance and management structure of Founders Momentum, the terms of the FMI Performance Rights and their alignment with the interests of all Shareholders, the materiality of, and strategy for, Founders Momentum in the context of the Company's overall financial performance and prospects and the materiality of these interests to John Hood's broader personal financial circumstances. Accordingly, the Board considers John to be an independent Director.

5.2 DIRECTOR DISCLOSURES

No Director of the Company has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the past 10 years which is relevant or material to the performance of their duties as a Director of the Company, or which is relevant to an investor's decision as to whether to subscribe for Shares.

Save as set out below, no Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer.

Daniel Wales was a director of Ferngrove (No. 100) Pty Ltd (**Ferngrove**) from 13 February 2004 to 16 August 2009. Ferngrove was placed into voluntary administration and, pursuant to section 436A of the Corporations Act, an administrator was appointed on 8 May 2007. The administrator attempted to find a buyer for the business. When this was unsuccessful, Ferngrove was wound up.

5.3 INTERESTS AND BENEFITS

This Section 5.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set in this Prospectus, no:

- Director or proposed director of the Company;
- Person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- Promoter of the Company,

holds at the time of lodgement of this Prospectus with ASIC, or held at any time during the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

Under the Constitution, each Director may be paid remuneration for ordinary services performed as a Director.

5 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

5.4 DIRECTORS' INTERESTS AND REMUNERATION

5.4.1 Managing Director remuneration

The Company has entered into an executive services agreement with Mark Haysman which commenced on 19 November 2018 pursuant to which Mark is employed as Managing Director and CEO of the Company. In October 2019, Mark's annual fixed remuneration increased to \$380,000 (excluding superannuation), plus he is entitled to an annual short term incentive equal to 20% of the annual fixed remuneration subject to the financial performance of the Company in the relevant financial year and such other key performance indicators as shall be agreed between the Company and Mark from time to time. Further details regarding the executive services agreement with Mark are set out in Section 9.1 of the Prospectus.

The Company has also entered into a contractor agreement with an entity controlled by Lihini Haysman, Mark Haysman's wife, in respect of services provided to the Company by Lihini Haysman. From time to time, the Company expects to procure the professional services of Lihini to facilitate and support the development and implementation of business strategies, operating models and key project initiatives. The Company has retained the use of these professional services for 2 days per week at an agreed daily rate of \$1,000, exclusive of GST. The Company and Lihini's contracting entity may increase or decrease the engagement as required by mutual agreement in writing. The agreement will remain on foot until 30 June 2020. The agreement may be terminated earlier by either party with 20 business days prior written notice and may be terminated by the Company without notice for a breach of the agreement.

5.4.2 Executive Director remuneration

The Company has entered into an executive services agreement with Stuart Morton which commenced on 23 October 2019 pursuant to which Stuart is employed as the Investments and Business Development Director. In October 2019, Stuart's annual fixed remuneration increased to \$190,000 (excluding superannuation), plus an annual short term incentive equal to 20% of the annual fixed remuneration subject to the financial performance of the Company in the relevant financial year and such other key performance indicators as shall be agreed between the Company and Stuart from time to time. Further details regarding the executive services agreement with Stuart are set out in Section 9.2 of the Prospectus.

The Company, through its wholly owned subsidiary, FF Operations, has also entered into an executive services agreement with Daniel Wales which commenced on 23 September 2019 pursuant to which Daniel is employed as an executive Director of the Company. Daniel receives an annual fixed remuneration of \$260,000 (excluding superannuation), plus an annual short term incentive equal to 20% of the annual fixed remuneration subject to the financial performance of the Company in the relevant financial year and such other key performance indicators as shall be agreed between the Company and Daniel from time to time. Further details regarding the executive services agreement with Daniel are set out in Section 9.3 of the Prospectus.

5.4.3 Short term incentive plan (STI Plan)

Objective

The objective of the short term incentive is to reward executive management upon achievement of the Company's short term goals, usually financial in nature.

STI Plan

For FY20, the proposed bonus structure for the Managing Director and Managing Director direct reports is 20% of base salary based on:

- 40% on delivering budgeted EBIT;
- 30% on delivering >90% KPIs relevant to specified role; and
- 30% on specific project(s) directly attributable to role.

Executives are able to achieve 0-100%, with a preference that the bonus be paid by way of issued shares under the Employee Incentive Plan (LTI Plan) rather than cash payments.

The above 20% bonus structure also applies to personnel who report to the Managing Director's direct reports. A 10% bonus applies to all other permanent employees.

FY21 – FY23

For FY21 to FY23, the STI Plan levels will be determined by the employee's salary/role banding and range from a 10% bonus with the ability to achieve 0-200% of the bonus to a 50% bonus with the ability to achieve 0-200% of the bonus in the case of the Managing Director.

Employees must be employed in the first 9 months of the financial year to be eligible, and the reward will be pro-rated if employees join part way through the year. The STI Plan applies to permanent employees only, and employees must be employed by Founders First at the end of the period to be eligible.

The current performance hurdles for achievement of a short term incentive are the same as for FY20.

The proposed metrics to determine the percentage performance achievement are:

- threshold or minimum level of performance achievement (i.e. paying 50% of the bonus if 80% of the goal is met).
- target level of performance achievement (i.e. paying 100% of the bonus if the target is 100% met); and
- maximum level of performance achievement above target, setting the upper limits of the payout (i.e. a 200% of the bonus if 120% of the target is achieved).

5.4.4 Long Term Incentive Plan (LTI Plan)

Objective

The purpose of the long-term incentive is to reward executive management for achievement of the Company's longer term strategic objectives that are aligned to, and will maximise, Shareholder value.

The key plan metrics for Founders First are as follows:

- **Maximum shares** issued under the Employee Incentive Plan will not exceed 8.5% of issued capital from time to time;
- **Period:** The plan is a 3-year plan. The Employee Performance Rights will be issued in 3 equal tranches at the end of each full financial year following the grant of the rights (commencing on 1 July 2020). The rights will vest at the end of the 3-year period. The number of Employee Performance Rights issued each year will be calculated by multiplying the relevant percentage of base salary (depending upon salary/role banding specified below) by the participant's base remuneration;
- **Hurdles/Conditions:** The issue of the Employee Performance Rights each year is subject to performance conditions being met as follows:
 - Condition 1 – 40% will be awarded if performance against key performance indicators (KPIs) is met, such KPIs to be agreed each year with the Board;
 - Condition 2 – 60% will be awarded if 2 financial metrics are met:
 - » Total Shareholder Return (TSR) performance is met (see below); and
 - » EBIT target is met.

Both conditions must be met for an award of Employee Performance Rights to be made. The award is subject to Board discretion.

- **Total Shareholder Return (TSR):** TSR is proposed to be measured as the Company's share price performance, being the 30-day VWAP (over the 15 days preceding, and the 15 days after announcement of the Company's financial year results) (**Measured TSR**) as compared to:
 - for year 1, the Offer Price (being the offer price on IPO); and
 - for each subsequent financial year, the 30-day VWAP over the 15 days preceding, and the 15 days after the Company announces its financial year results for the prior financial year (each a **Baseline TSR**).
- **Eligibility:** Directors, including non-executive directors and senior managers who are declared by the Board to be eligible, with senior managers being within the following salary/role bands:
 - Level 1A CEO/MD – LTIP 100% of base
 - Level 1B (Future use) – LTIP 50% of base
 - Level 2A Exec roles reporting direct to CEO/MD (and Level 2B Future Use) – LTIP 40% of base
 - Level 3A Senior roles reporting to Level 2 roles) – LTIP 30% of base
 - Level 4A Other roles reporting to Level 2 roles and Level 4B Future Use) – LTIP 15% of base;
 - No LTIP for other lower bands.

5 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

- **Performance Rights:** The Employee Performance Rights are issued at nil consideration and each right entitles the participant to 1 Plan Share which will be transferred to the participant upon vesting of the rights at year 3. Plan Shares issued on the exercise of the Employee Performance Rights rank equally in respect to all other issued Shares.
- **Conditions of Vesting:** Employee Performance Rights may lapse earlier than the last exercise date if the participant ceases to be employed by, or ceases to be a director or officeholder of, the Company. Employee Performance Rights will immediately lapse in the case of fraud, dishonesty or material breach of the participant's obligations to the Company. This does not apply if the Board determines otherwise.

5.4.5 Non-Executive Director remuneration

Under the Constitution, the Directors are to be remunerated for their services as Directors as determined by the Company in general meeting by resolution. Under the Listing Rules, the total amount paid to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at the Company's general meeting. This amount has been fixed by the Company at \$600,000 per annum. Under the Listing Rules the maximum fees payable to directors may not be increased without prior approval from the Company at a general meeting. Directors may seek approval from time to time as and when deemed appropriate.

Subject to the Company obtaining the relevant Shareholder approvals, the non-executive Directors are entitled to participate in the Company's employee incentive plan (**EIP**) described in Section 10.9.

The Company has entered into services agreements with each non-executive Director under which each non-executive Director will receive an annual fixed remuneration of \$40,000 (excluding superannuation), which includes non-cash benefits each non-executive Director may be entitled to receive. As Chair of the Board, Robin Levison is entitled to an additional \$40,000 (excluding superannuation) per annum for these services. Further details regarding the services agreements with each non-executive Director are set out in Section 9.4 of the Prospectus.

The Company has also entered into a services agreement with Humanee, an entity controlled by John Hood, for the provision of corporate services. Under this agreement, the Company has engaged Humanee from 22 October 2019 through to 31 October 2020 to provide a flexible supportive role principally reporting to the CFO and working with the Company's Subsidiaries' internal accounting and bookkeeping staff for the purposes of providing bookkeeping, reporting, compliance accounting and taxation transactional service support. Humanee is providing these services to the Company four days per week, with the parties having the option to vary the number of days per week by mutual agreement at any time after 1 February 2020. The fees payable to Humanee in respect of the first three months of the provision of these services has been agreed at \$13,500 per month (plus GST). The Company may terminate the agreement for any reason with four weeks' prior written notice to Humanee.

5.4.6 Directors' interests in Securities

Based on information known to the Company as at the date of this Prospectus, on Completion of the Offer, the number of Shares held by the Directors will be as outlined in the table below.

	SHARES HELD AT DATE OF THE PROSPECTUS	SHARES HELD AT COMPLETION OF THE OFFER (%) ¹	SHARES HELD AT COMPLETION OF THE OFFER (%) ²
Robin Levison	3,279,726	2.93%	2.58%
John Hood ³	3,072,494	2.74%	2.42%
Daniel Wales	5,620,096	5.02%	4.43%
Stuart Morton	7,028,467	6.28%	5.53%
Mark Haysman	4,556,473	4.07%	3.59%

1. Calculated on an undiluted basis and assuming \$10 million is raised under the Offer.

2. Calculated on an undiluted basis and assuming \$17.5 million is raised under the Offer.

3. John Hood also has an interest in 500,000 FMI Performance Rights held by Drua Pty Ltd.

Other than as disclosed in this Prospectus, no Director holds any Performance Rights or Options at the date of this Prospectus.

5.4.7 Indemnification of Directors and Officers

The Company has entered into deeds of indemnity, insurance and access with each Director and the Company Secretary (each an **Indemnified Party**). Under these deeds, the Company has agreed to indemnify, to the extent permitted by the Corporations Act, each Indemnified Party in respect of certain liabilities which the Indemnified Party may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. These liabilities include losses or liabilities incurred by an Indemnified Party to any other person as an officer of the Company, including legal expenses. The Company has also agreed to maintain in favour of each officer a directors' and officers' policy of insurance for the period that they are officers and for seven years after they cease to act as officers. Further details regarding the deeds of indemnity, insurance and access are set out in Section 10.7.

5.5 RELATED-PARTY AGREEMENTS

Other than as set out below or elsewhere in this Prospectus, there are no existing agreements or arrangements and there are no currently proposed transactions in which the Company was, or is to be, a participant, and in which any related party had or will have a direct or indirect material interest:

- (a) the compensation arrangements with each Director, which are described in Sections 9.1, 9.2, 9.3 and 9.4; and
- (b) the indemnification arrangements with the Directors which are described in Section 10.7.

5.6 CORPORATE GOVERNANCE

The Board is responsible for the overall governance of the Company. Issues of substance affecting the Company are considered by the Board, with advice from external advisers as required. Each Director must bring an independent view and judgment to the Board and must declare all actual or potential conflicts of interest. Any issue concerning a Director's ability to properly act as a director will be discussed at a Board meeting as soon as practicable, and a Director may not participate in discussions or resolutions pertaining to any matter in which the Director has, or may have, a material personal interest.

The Company has adopted a system of control and accountability as the basis for the administration of corporate governance. The Board has the responsibility of ensuring the Company is properly managed to protect and enhance Shareholders' interests.

To the extent applicable, the Company has adopted the ASX Corporate Governance Principles and Recommendations.

The Board will review the Corporate Governance Policies and structures on an ongoing basis to ensure that these are appropriate for the size of the Company and the nature of its activities.

5.6.1 Board Charter

The Board's role in risk oversight includes receiving reports from management and the Company's auditors on a regular basis regarding material risks faced by the Company and applicable mitigation strategies and activities. These reports detail the effectiveness of the risk-management program and identify and address material business risks such as technological, strategic, business, operational, financial, human resources and legal/regulatory risks. The Board considers these reports, discusses matters with management and identifies and evaluates any potential strategic or operational risks including appropriate activity to address any such risks.

The Board has adopted a written charter to provide a framework for the effective operation of the Board, the purpose of which is to promote high standards of corporate governance, clarify the roles and responsibility of the Board, provide strategic guidance to the Company, protect the interests of its Shareholders and act efficiently, honestly and fairly.

The responsibilities of the Board are set down in the Company's Board Charter, which has been prepared having regard to the ASX Corporate Governance Principles and Recommendations. A copy of the Company's Board Charter is available on the Company's website at <http://www.foundersfirst.group/investors>. The Company will also send you a paper copy of its Board Charter, at no cost to you, should you request a copy during the Offer Period.

5 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

5.6.2 Board Committees

The Board is currently not of a relevant size to justify the formation of separate committees. However, the Board has adopted a Remuneration and Nomination Committee Charter and an Audit and Risk Management Committee Charter (together, the **Committee Charters**) which describe the role, composition, functions and responsibilities of each respective committee. Until such time that a separate Remuneration and Nomination Committee and an Audit and Risk Committee are constituted, the Board remains responsible for such matters and will discharge its responsibilities in accordance with the Committee Charters (to the extent applicable).

The Board will review this position from time to time as the Company expands and thereby may establish such specific committees to assist it in the discharge of its responsibilities. As the operations of the Company develop, the Board will also reassess the formation of further committees.

5.6.3 Corporate governance policies

The Company has also adopted the following policies, each of which has been prepared having regard to the ASX Corporate Governance Principles and Recommendations and is available on the Company's website at <http://www.foundersfirst/group/investors>.

- (a) **Code of Conduct** – This policy sets out the standards of ethical behaviour that the Company expects from its directors, officers and employees;
- (b) **Continuous Disclosure Policy** – Once the Company is listed on the ASX, it will need to comply with the continuous disclosure requirements of the Listing Rules and the Corporations Act to ensure that it discloses to ASX any information concerning the Company that is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares. As such, this policy sets out certain procedures and measures which are designed to ensure that the Company complies with its continuous disclosure obligations;
- (c) **Risk Management Policy** – This policy is designed to assist the Company to identify, assess, monitor and manage risks affecting the Company's business;
- (d) **Securities Trading Policy** – This policy is designed to maintain investor confidence in the integrity of the Company's internal controls and procedures and to provide guidance on avoiding any breach of the insider trading laws;
- (e) **Shareholder Communications Policy** – This policy sets out practices which the Company will implement to ensure effective communication with its Shareholders;
- (f) **Diversity Policy** – This policy sets out the Company's objectives for achieving diversity among its Board, management and employees;
- (g) **Remuneration Policy** – This policy is designed to assist the Company in implementing procedures to attract and retain desirable executives and directors, and reward such executives and directors;
- (h) **Whistleblowers Policy** – This policy encourages employees to raise any concern and report instances of illegal, unacceptable or undesirable conduct;
- (i) **Anti-Bribery and Corruption Policy** – This policy sets out the Company's stance in relation to bribes or other improper payments or benefits to public officials and the damage to the Company's reputation and standing in the community;
- (j) **Remuneration and Nomination Committee Charter** – This policy describes the role, composition, functions and responsibilities of the Remuneration and Nomination Committee (to the extent one is established), including board competencies, composition, performance and succession planning, and reasonable remuneration across the directors, senior management and employees; and
- (k) **Audit and Risk Management Committee Charter** – This policy describes the role, composition, functions and responsibilities of the Audit and Risk Committee (to the extent one is established), including reviewing financial reporting processes, monitoring legal and internal compliance, supervising the risk management framework and reviewing the adequacy of insurance policies.

The Company will also send you a free paper copy of any of the above policies should you request a copy during the Offer Period.

5.6.4 ASX Corporate Governance Principles and Recommendations

The Board has evaluated the Company's current corporate governance policies and practices in light of the ASX Corporate Governance Principles and Recommendations. A brief summary of the approach currently adopted by the Company is set out below.

Principle 1 – Lay solid foundations for management and oversight

The Board's responsibilities are defined in the Board Charter available on the Company's website.

The Company has also established a clear delineation between the Chairman's responsibility for the Company's strategy and activities, and the day-to-day management of operations conferred upon the Chief Executive Officer and senior executives of the Company. The Board evaluates the performance of senior executives.

Principle 2 – Structure the Board to add value

The Company's Board includes two independent Directors. The roles of Chairman and Managing Director are exercised by two separate individuals. The Company's Chairman is an independent director as required by ASX Principle 2.

As the Company is still in an early stage of development, it has not yet undertaken a formal review of the Board's performance. However, the Board Charter provides for a regular self-assessment of the Board's performance.

Principle 3 – Promote ethical and responsible decision making

The Company has adopted a Code of Conduct, as well as a Securities Trading Policy and a Diversity Policy to promote ethical and responsible decision making.

Principle 4 – Safeguard integrity in financial reporting

The Board complies with the ASX Corporate Governance Principles and Recommendations to oversee the management of financial and internal risks in accordance with the Board Charter.

Principle 5 – Make timely and balanced disclosure

The Company is committed to providing timely and balanced disclosure to the market in accordance with its Continuous Disclosure Policy.

Principle 6 – Respect the rights of Shareholders

The Company has adopted a Shareholder Communications Policy to ensure that the Company regularly communicates with its Shareholders. The Company seeks to recognise numerous modes of communication, including electronic communication, to ensure that its communication with Shareholders is frequent, clear and accessible.

All Shareholders are invited to attend the Company's annual general meeting, either in person or by representative. The Board regards its annual general meeting as a suitable forum in which to discuss issues relevant to the Company and accordingly encourages full participation by Shareholders. Shareholders have an opportunity to submit questions to the Board and to the Company's auditors.

Principle 7 – Recognise and manage risk

In conjunction with the Company's other corporate governance policies, the Company has adopted a Risk Management Policy designed to assist the Company in identifying, evaluating and mitigating risks affecting the Company. Regular internal communication between the Company's management and Board supplements the Company's quality system, complaint-handling processes, employee policies and standard operating procedures all of which are designed to address various forms of risks.

Principle 8 – Remunerate fairly and responsibly

The Company has not yet established a Remuneration Committee. As the operations of the Company develop, the Board will reassess the formation of a Remuneration Committee. The Board takes ultimate responsibility for what might be dealt with by the committee, including the disclosure of its directors' and executives' remuneration in its annual report.

5 BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

5.6.5 Compliance with ASX Corporate Governance Principles and Recommendations

Except as set out below, the Board does not anticipate that it will depart from the ASX Corporate Governance Principles and Recommendations. However, it may do so in the future if it considers that such a departure would be reasonable in the Company's circumstances:

- (a) **Nomination Committee and Remuneration Committee (Recommendations 2.1 and 8.2):** The Board is of the belief that it is not currently of a relevant size to justify the formation of a separate Nomination Committee or a Remuneration Committee.

The Board has adopted a Remuneration and Nomination Committee Charter for the purpose of:

- i. addressing board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively; and
- ii. implementing processes for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

Until such time as separate committees are constituted, the Board will remain responsible for these matters in accordance with the Remuneration and Nomination Committee Charter.

- (b) **Board Skills Matrix (Recommendation 2.2):** The Board is in the process of establishing a Board Skills Matrix, however, as at the date of this Prospectus, it has not yet formalised a formal Board Skills Matrix. Gaps in the collective skills of the Board have been regularly reviewed by the Board as a whole, with the Board proposing candidates for directorship having regard to the desired skills and experience required by the Company from time to time as well as the proposed candidate's skills and experience.

- (c) **Independent Directors (Recommendation 2.4):** The Company's Board currently has two independent Directors. While the Company is committed to maintaining independence on the Board, the Board believes that the Company is not yet of a sufficient size to justify the appointment of additional directors for the sole purpose of satisfying this Recommendation.

- (d) **Audit Committee (Recommendation 4.1):** The Board is of the belief that it is not currently of a relevant size to justify the formation of a separate Audit Committee.

The Board has adopted an Audit and Risk Committee Charter which includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function.

Until such time as an Audit Committee is constituted, the Board will remain responsible for these matters in accordance with the Audit and Risk Committee Charter.

FINANCIAL INFORMATION

6



6 FINANCIAL INFORMATION

6.1 INTRODUCTION

6.1.1 Financial Information

The financial information contained in this Section 6 includes historical financial information for Founders First for the financial years ended 30 June 2017 (**FY17**), 30 June 2018 (**FY18**) and 30 June 2019 (**FY19**).

This Section 6 contains a summary of:

- statutory historical financial information, comprising the:
 - Founders First’s statutory historical consolidated income statements for FY18 and FY19 (**Statutory Historical Income Statements**);
 - Founders First’s statutory historical consolidated cash flow statements for FY18 and FY19 (**Statutory Historical Cash Flows**);
 - Founders First’s statutory historical consolidated statement of financial position as at 30 June 2019 (**Statutory Historical Statement of Financial Position**);
 - Slipstream’s statutory historical income statements for FY17, FY18 and FY19 (**Slipstream Historical Income Statements**); and
 - Slipstream’s statutory historical operating cash flow statements for FY17, FY18 and FY19 (**Slipstream Historical Operating Cash Flows**), (together, the **Statutory Historical Financial Information**);
- pro-forma historical financial information, comprising the:
 - Founders First’s pro-forma historical consolidated income statements for FY17, FY18 and FY19 (**Pro-forma Historical Income Statements**);
 - Founders First’s pro-forma historical consolidated cash flow statements for FY17, FY18 and FY19 (**Pro-forma Historical Cash Flows**); and
 - Founders First’s pro-forma historical consolidated statement of financial position as at 30 June 2019 (**Pro-forma Historical Statement of Financial Position**), (together, the **Pro-forma Historical Financial Information**).

The Statutory Historical Financial Information and Pro-forma Historical Financial Information is together referred to as the “**Financial Information**”.

Founders First has a 30 June financial year end.

In addition, Section 6 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 6.2.);
- information regarding certain non-IFRS financial measures (see Section 6.2.3);
- the key pro-forma operating and financial metrics (see Section 6.3.1);
- the pro-forma adjustments to the Statutory Historical Financial Information (see Sections 6.3, 6.6 and 6.7);
- information regarding liquidity and capital resources (see Section 6.7.1);
- information regarding Founders First’s contractual obligations, commitments and contingent liabilities (see Section 6.7.2);
- management’s discussion and analysis of the Pro-forma Historical Financial Information (see Section 6.8);
- a description of Founders First’s critical accounting policies (see Section 6.9); and
- Founders First’s dividend policy (see Section 6.10).

The information in Section 6 should also be read in conjunction with the risk factors set out in Section 4 and other information contained in this Prospectus.

All amounts disclosed in Section 6 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest dollar. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

6.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

6.2.1 Overview and preparation and presentation of the Financial Information

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of Founders First.

Given the fact that Founders First is in an early, growth stage of development, there are significant uncertainties associated with forecasting the future revenues and expenses of the Company. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) adopted by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Founders First's accounting policies. Founders First's significant accounting policies are described in Appendix A.

The Pro-forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect:

- (a) the results of entities controlled by Founders First as at the Offer Date as if the controlling interest held by Founders First as at the date of the Offer had been held since 1 July 2016;
- (b) the impact of certain transactions as if they had occurred on or before 30 June 2019.

The Pro-forma Historical Financial Information does not reflect the actual financial results and cash flows of Founders First for the periods indicated. The Directors of Founders First believe that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

The Pro-forma Historical Financial Information may not reflect the full costs and benefits of the Company's business model, including additional investments in management, sales, marketing and other corporate, commercial and venue costs incurred since 30 June 2019.

Whilst Founders First does not have a controlling interest in Slipstream as at the date of the Offer, with 15% of the issued equity owned as at the Offer Date, given that Founders First has a commitment to acquire a further 30% of the issued equity of Slipstream post IPO (increasing its ownership to 45% of the issued equity) and will also be granted an option to acquire an additional 6% of the issued equity of Slipstream on the terms outlined in Section 9.8 of the Prospectus, Founders First has the capacity over time to take a controlling equity interest in Slipstream. Therefore, the Slipstream Historical Income Statements and the Slipstream Historical Cash Flows have also been included within the Financial Information in Section 6.4.

The Financial Information is presented in an abbreviated form and it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 6 describes certain non-IFRS financial measures that Founders First uses to manage and report on the business that are not defined under or recognised by AAS or IFRS.

Independent Limited Assurance Report

The Financial Information (as defined above) has been reviewed by RSM Corporate Australia Pty Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Independent Limited Assurance Report set out in Section 7. Investors should note the scope and limitations of the Independent Limited Assurance Report.

6 FINANCIAL INFORMATION

6.2.2 Preparation of the Financial Information

The Financial Information has been presented on both a statutory and a pro-forma basis.

The Statutory Historical Financial Information of Founders First for the period from 13 November 2017 to 30 June 2018 and for FY19 has been derived from the audited general purpose financial statements of Founders First for the period from 13 November 2017 to 30 June 2018 and for FY19.

The Pro-forma Historical Financial Information of Jetty Road for FY17 and FY18 has been derived from the audited financial statements of Jetty Road for FY17 and FY18.

The Pro-forma Historical Financial Information of Foghorn for FY17, FY18 and for the period 1 July 2018 to 28 February 2019 has been derived from the audited financial statements of Foghorn for FY17, FY18 and for the period 1 July 2018 to 28 February 2019.

The Pro-forma Historical Financial Information of Founders Momentum for FY17, FY18 and FY19 has been derived from the audited financial statements of Founders Momentum for FY17, FY18 and FY19.

The Statutory Historical Financial Information of Slipstream for FY17, FY18 and FY19 has been derived from the audited financial statements of Slipstream for FY17, FY18 and FY19.

The general purpose financial statements of Founders First for the period from 13 November 2017 to 30 June 2018 and for FY19 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements.

The financial statements of Jetty Road for FY17 and FY18 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements.

The financial statements of Foghorn for FY17, FY18 and for the period 1 July 2018 to 28 February 2019 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements.

The financial statements of Founders Momentum for FY17, FY18 and FY19 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements.

The financial statements of Slipstream for FY17, FY18 and FY19 were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements.

The Pro-forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro-forma Historical Financial Information has been derived from the Statutory Historical Financial Information of Founders First and adjusted for the effects of the pro-forma adjustments.

Section 6.3 Table 6.3 sets out the pro-forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro-forma Historical Income Statements.

Section 6.6 Table 6.8 sets out the pro-forma adjustments to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro-forma Historical Cash Flows. Pro-forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro-forma adjustments to the Statutory Historical Cash Flows.

Section 6.7 Table 6.10 sets out the pro-forma adjustments to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro-forma Historical Statement of Financial Position. Pro-forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of:

- a capital raising completed in November 2019;
- the acquisition by the Company, through its wholly owned Subsidiary, of a 100% interest in Founders Momentum with effect from 1 July 2019 by way of two transactions dated between August 2019 and November 2019;
- the impact of a number of pre-IPO equity investments;
- the impact of pre-IPO subscriptions for convertible notes and other loans;
- the impact of pre-IPO investments made for new venues; and
- the impact of the Offer,

as if they had occurred as at 30 June 2019.

In preparing the Financial Information, Founders First's accounting policies have been consistently applied throughout the periods presented.

Investors should note that past results are not a guarantee of future performance.

Going Concern

The Financial Information for FY19 has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that Founders First will be able to continue as a going concern.

6.2.3 Explanation of certain non-IFRS financial measures

To assist in the evaluation of the performance of Founders First, certain measures are used to report on the Company that are not recognised under AAS or IFRS. These measures are collectively referred in this Section 6 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** is earnings/(losses) before interest (net finance income), taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortisation and before interest and taxation. Founders First also calculates EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of Founders First operations;
- **EBIT** is earnings/(losses) before interest (net finance income) and taxation;
- **Operating cash flow** is EBITDA after the removal of non-cash items in EBITDA and changes in working capital. Founders First uses operating cash flow to indicate the level of operating cash flow generated from EBITDA;
- **Free cash flow** is operating cash flows less capital expenditure cash flows;
- **Working capital** includes trade and other receivables, inventory and other current assets less trade and other payables, other liabilities and provisions.

Although the Directors believe that these measures provide useful information about the financial performance of Founders First, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way Founders First calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

6 FINANCIAL INFORMATION

6.3 PRO-FORMA HISTORICAL INCOME STATEMENTS

Table 6.1 sets out a summary of the Pro-forma Historical Income Statements of Founders First for FY17, FY18 and FY19. The Pro-forma Historical Income Statements are reconciled to the respective historical income statements in Section 6.3.2.

Table 6.1: Summary of Pro-forma Historical Income Statements

PRO-FORMA HISTORICAL \$				
YEAR ENDED 30 JUNE	NOTES	FY17	FY18	FY19
Revenue		3,899,292	5,899,039	7,567,034
Cost of sales		(1,555,134)	(2,338,639)	(3,111,585)
Gross Profit		2,344,158	3,560,400	4,455,449
Operating expenses				
Employee benefits expenses		(1,109,452)	(1,875,651)	(3,216,056)
Equipment hire and maintenance		(13,960)	(134,675)	(105,831)
Legal and professional fees	1	(78,329)	(125,851)	(607,303)
Selling and marketing expenses		(60,645)	(134,947)	(365,330)
Occupancy expenses		(251,639)	(296,031)	(493,108)
Travelling and conveyance		–	(2,190)	(69,726)
General and administration expenses	1	(855,026)	(1,051,560)	(887,406)
Total operating expenses		(2,369,051)	(3,620,905)	(5,744,760)
EBITDA		(24,893)	(60,505)	(1,289,311)
Depreciation and amortisation		(107,604)	(156,051)	(322,412)
EBIT		(132,497)	(216,556)	(1,611,723)
Finance costs		(16,916)	(64,086)	(219,795)
Profit before income tax		(149,413)	(280,642)	(1,831,518)
Income tax expense		–	–	–
NPAT		(149,413)	(280,642)	(1,831,518)
NPAT for the year is attributable to:				
Non-controlling interest		1,452	(41,423)	(324,576)
Owners of Founders First Ltd		(150,865)	(239,219)	(1,506,942)
		(149,413)	(280,642)	(1,831,518)

Notes:

1. Legal and professional fees and general and administration expenses include pro-forma adjustments for listed public company costs as detailed in Table 6.3.

6.3.1 Key operating and financial metrics

Table 6.2 sets out Founders First's key pro-forma historical operating and financial metrics for FY17, FY18 and FY19.

Table 6.2: Pro-forma historical key operating and financial metrics

PRO-FORMA HISTORICAL				
\$ OR %		FY17	FY18	FY19
Total revenue		3,899,292	5,899,039	7,567,034
Gross profit		2,344,158	3,560,400	4,455,449
Gross profit margin		60.1%	60.4%	58.9%
EBITDA		(24,893)	(60,505)	(1,289,311)
Operating expenses (% revenue)		60.8%	61.4%	75.9%

6.3.2 Pro-forma adjustments to the Statutory Historical Income Statements

Table 6.3 sets out the pro-forma adjustments that have been made to the Statutory Historical Income Statements.

Table 6.3: Pro-forma adjustments to the Statutory Historical Income Statements

PERIOD \$	NOTES	FY17	FY18	FY19
Statutory revenue		–	14,141	3,995,154
Revenue of Jetty Road prior to acquisition of control on 26 July 2018	1	102,082	1,538,006	173,877
Revenue of Foghorn prior to acquisition of control on 28 February 2019	2	2,665,893	3,007,300	1,964,928
Revenue of Founders Momentum prior to acquisition of control with effect from 1 July 2019	3	1,131,317	1,339,592	1,433,075
Pro-forma revenue		3,899,292	5,899,039	7,567,034
Statutory NPAT		–	(124,585)	(1,880,583)
NPAT of Jetty Road prior to acquisition of control on 26 July 2018	1	(140,873)	(298,797)	19,676
NPAT of Foghorn prior to acquisition of control on 28 February 2019	2	255,997	364,973	84,447
NPAT of Founders Momentum prior to acquisition of control with effect from 1 July 2019	3	35,463	77,767	244,942
Incremental ASX listed company costs	4	(300,000)	(300,000)	(300,000)
Tax impact of Pro-forma adjustments	5	–	–	–
Pro-forma NPAT		(149,413)	(280,642)	(1,831,518)

Notes:

1. Founders First acquired a controlling interest of 55.6% in Jetty Road on 26 July 2018 and the Statutory Historical Income Statements of Founders First have included the results of Jetty Road from 26 July 2018 onwards. The pro-forma adjustments represents the results for the periods prior to 26 July 2018.
2. Founders First acquired a controlling interest of 75.0% in Foghorn on 28 February 2019 and the Statutory Historical Income Statements of Founders First have included the results of Foghorn from 28 February 2019 onwards. The pro-forma adjustments represents the results for the periods prior to 28 February 2019.
3. Under two transactions dated between August 2019 and November 2019, the Company, through its wholly owned Subsidiary, acquired 100% of the shares in Founders Momentum with effect from 1 July 2019.
4. Incremental ASX listed public company costs – adjustment made to include Founders First's estimate of incremental annual costs that it will incur as a listed Company. These incremental costs include annual listing costs, share registry costs and additional legal, audit and tax compliance costs.
5. There is no tax impact on pro-forma adjustments due to unrecognised tax losses.

6 FINANCIAL INFORMATION

6.3.3 Summary of Statutory Historical Income Statements

Table 6.4 sets out Founders First's Statutory Historical Income Statements for FY17, FY18 and FY19.

TABLE 6.4: Summary of Statutory Historical Income Statements

STATUTORY HISTORICAL \$			
YEAR ENDED 30 JUNE	FY17 ¹	FY18 ²	FY19
Revenue	–	14,141	3,995,154
Cost of sales	–	–	(1,717,630)
Gross Profit	–	14,141	2,277,524
Operating expenses			
Employee benefits expenses	–	(27,375)	(2,198,792)
Equipment hire and maintenance	–	–	(94,680)
Legal and professional fees	–	(42,189)	(526,249)
Selling and marketing expenses	–	(4,892)	(269,840)
Occupancy expenses	–	(1,438)	(256,254)
Travelling and conveyance	–	(2,190)	(69,726)
General and administration expenses	–	(4,979)	(307,635)
Total operating expenses	–	(83,063)	(3,723,176)
EBITDA	–	(68,922)	(1,445,652)
Depreciation and amortisation	–	(11,677)	(238,338)
EBIT	–	(80,599)	(1,683,990)
Finance costs	–	(43,986)	(196,593)
Profit before income tax	–	(124,585)	(1,880,583)
Income tax expense	–	–	–
NPAT	–	(124,585)	(1,880,583)
NPAT for the year is attributable to:			
Non-controlling interest	–	–	(354,424)
Owners of Founders First Ltd	–	(124,585)	(1,526,159)
	–	(124,585)	(1,880,583)

Notes:

1. Founders First was incorporated on 13 November 2017 and, therefore, did not have any statutory results for FY17.
2. FY18 represents the Historical Statutory Income Statement of Founders First for the period from 13 November 2017 to 30 June 2018.

6.4 SLIPSTREAM HISTORICAL FINANCIAL INFORMATION

Table 6.5 sets out a summary of the Statutory Historical Income Statements of Slipstream for FY17, FY18 and FY19.

TABLE 6.5: Summary of Slipstream Statutory Historical Income Statements

STATUTORY HISTORICAL \$			
YEAR ENDED 30 JUNE	FY17	FY18	FY19
Revenue	21,661	965,600	1,246,964
Cost of sales	(26,822)	(472,515)	(610,743)
Gross Profit	(5,161)	493,085	636,221
Operating expenses			
Employee benefits expenses	(54,856)	(174,583)	(281,556)
Equipment hire and maintenance	(9,496)	(12,572)	(58,924)
Legal and professional fees	–	–	–
Selling and marketing expenses	(8,116)	(22,365)	(53,664)
Occupancy expenses	(52,967)	(118,624)	(127,221)
Travelling and conveyance	–	–	–
General and administration expenses	(31,684)	(40,550)	(51,461)
Total operating expenses	(157,119)	(368,694)	(572,826)
EBITDA	(162,280)	124,391	63,395
Depreciation and amortisation	(56,098)	(73,165)	(81,593)
EBIT	(218,378)	51,226	(18,198)
Finance costs	(7,347)	(19,665)	(21,617)
Profit before income tax	(225,725)	31,561	(39,815)
Income tax expense	–	(11,911)	–
NPAT	(225,725)	19,650	(39,815)

Table 6.6 sets out a summary of the Statutory Historical Cash Flows of Slipstream for FY17, FY18 and FY19.

TABLE 6.6: Summary of Slipstream Statutory Historical Cash Flows

STATUTORY HISTORICAL \$			
YEAR ENDED 30 JUNE	FY17	FY18	FY19
EBITDA	(162,280)	124,391	63,395
Non-cash expenses in EBITDA	–	–	–
Changes in working capital	(12,785)	(1,114)	(35,302)
Operating cash flow	(175,065)	123,277	28,093

6 FINANCIAL INFORMATION

6.5 SEGMENT INFORMATION

In accordance with Australian Accounting Standard AASB 8 Operating Segments, Founders First has determined it operates with a single operating segment for FY17, FY18 and FY19.

6.6 PRO-FORMA HISTORICAL CASH FLOWS

Table 6.7 sets out Founders First's Pro-forma Historical Cash Flows for FY17, FY18 and FY19. The pro-forma cash flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

Table 6.7: Summary of Pro-forma Historical Cash Flows

PRO-FORMA HISTORICAL \$				
YEAR ENDED 30 JUNE	NOTES	FY17	FY18	FY19
EBITDA	1	(24,893)	(60,505)	(1,289,311)
Non-cash expenses in EBITDA	2	–	–	82,637
Changes in working capital	3	(44,814)	(21,183)	(175,138)
Operating cash flow		(69,707)	(81,688)	(1,381,812)
Capital expenditure		–	(1,266,000)	(1,123,439)
Free cash flow		(69,707)	(1,347,688)	(2,505,251)
Payments for purchase of business, net of cash acquired	4	–	–	(1,500,000)
Payments for investments	5	–	(450,000)	(353,551)
Security deposits paid		–	–	(92,348)
Proceeds from the issue of shares	6	–	1,247	8,500,000
Proceeds from issue of shares to non-controlling interests in subsidiaries	7	–	–	902,400
Proceeds from the issue of convertible notes	8	–	1,937,000	243,000
Proceeds from borrowings	9	–	780,000	–
Repayment of borrowings	10	–	–	(911,569)
Net cash flow		(69,707)	920,559	4,282,681

Notes:

1. Refer to Section 6.3 for Pro-forma Historical Income Statement.
2. Non-cash expenses in EBITDA relates to share based payments and bad debt write offs and provisions.
3. Working capital includes trade and other receivables, inventories and other current assets less trade and other payables, other liabilities and provisions.
4. Payments for purchase of business, net of cash acquired represents the payment made by Founders First to acquire 75% of the business assets of Foghorn.
5. Payments for investments relates to the acquisition of shares in Jetty Road that were initially accounted for as investments until FY19 when additional shares were acquired and Founders First obtained a controlling interest in Jetty Road.
6. During FY19, Founders First undertook a Series A capital raising and raised \$8.5 million.
7. During FY19 Jetty Road issued shares to non-controlling shareholders and raised \$902,400.
8. During FY18, Founders First issued 218 7.5% convertible notes with a face value of \$10,000 each for total proceeds of \$2,180,000, of which \$1,937,000 was received in FY18 and \$243,000 was received in FY19. The notes were converted into ordinary shares on 1 March 2019.
9. Founders First obtained a business loan of \$780,000 during FY18.
10. Represents the full repayment of the business loan in FY19 together the repayment of finance lease liabilities.

6.6.1 Pro-forma adjustments to the Statutory Historical Cash Flows

Table 6.8 sets out the pro-forma adjustments that have been made to the Statutory Historical Cash Flows to reflect the post-tax cash impact of the pro-forma earnings adjustments. These adjustments are summarised and explained in the table below.

Table 6.8: Pro-forma adjustments to the Statutory Historical Cash Flows

PERIOD \$	NOTES	FY17	FY18	FY19
Statutory net cash flow		–	901,849	4,087,502
Operating cash flow of Jetty Road prior to acquisition of control on 26 July 2018	1	(129,625)	(96,081)	19,676
Operating cash flow of Foghorn prior to acquisition of control on 28 February 2019	2	349,278	439,302	177,252
Operating cash flow of Founders Momentum prior to acquisition of control with effect from 1 July 2019	3	10,640	(24,511)	298,251
Incremental ASX listed company costs	4	(300,000)	(300,000)	(300,000)
Tax impact of Pro-forma adjustments	5	–	–	–
Pro-forma net cash flow		(69,707)	920,559	4,282,681

Notes:

1. Founders First acquired a controlling interest of 55.6% in Jetty Road on 26 July 2018 and the Statutory Historical Income Statements of Founders First have included the results of Jetty Road from 26 July 2018 onwards. The pro-forma adjustments represents the results for the periods prior to 26 July 2018.
2. Founders First acquired a controlling interest of 75.0% in Foghorn on 28 February 2019 and the Statutory Historical Income Statements of Founders First have included the results of Foghorn from 28 February 2019 onwards. The pro-forma adjustments represents the results for the periods prior to 28 February 2019.
3. Under two transactions dated between August 2019 and November 2019, the Company, through its wholly owned Subsidiary, acquired 100% of the shares in Founders Momentum with effect from 1 July 2019.
4. Incremental ASX listed public company costs – adjustment made to include Founders First's estimate of incremental annual costs that it will incur as a listed Company. These incremental costs include annual listing costs, share registry costs and additional legal, audit and tax compliance costs.
5. There is no tax impact on pro-forma adjustments due to unrecognised tax losses.

6 FINANCIAL INFORMATION

6.6.2 Summary of Statutory Historical Cash Flows

Table 6.9 sets out Statutory Historical Cash Flows for FY17, FY18 and FY19.

Table 6.9: Summary of Statutory Historical Cash Flows

STATUTORY HISTORICAL \$			
YEAR ENDED 30 JUNE	FY17¹	FY18²	FY19
EBITDA	–	(68,922)	(1,445,652)
Non-cash expenses in EBITDA	–	–	82,637
Changes in working capital	–	(31,476)	(213,976)
Operating cash flow	–	(100,398)	(1,576,991)
Capital expenditure	–	(1,266,000)	(1,123,439)
Free cash flow	–	(1,366,398)	(2,700,430)
Payments for purchase of business, net of cash acquired	–	–	(1,500,000)
Payments for investments	–	(450,000)	(353,551)
Security deposits paid	–	–	(92,348)
Proceeds from the issue of shares	–	1,247	8,500,000
Proceeds from issue of shares to non-controlling interests in subsidiaries	–	–	902,400
Proceeds from the issue of convertible notes	–	1,937,000	243,000
Proceeds from borrowings	–	780,000	–
Repayment of borrowings	–	–	(911,569)
Net cash flow	–	901,849	4,087,502

Notes:

1. Founders First was incorporated on 13 November 2017 and, therefore, did not have any statutory results for FY17.
2. FY18 represents the Historical Statutory Income Statement of Founders First for the period from 13 November 2017 to 30 June 2018.

6.7 STATUTORY HISTORICAL STATEMENTS OF FINANCIAL POSITION AND PRO-FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Table 6.10 sets out the Statutory Historical Statement of Financial Position of Founders First and the pro-forma adjustments that have been made to prepare the Pro-forma Historical Statement of Financial Position for Founders First. These adjustments take into account the effect of:

- a capital raising completed in November 2019;
- the acquisition by the Company, through its wholly owned Subsidiary, of a 100% interest in Founders Momentum with effect from 1 July 2019 by way of two transactions dated between August 2019 and November 2019;
- the impact of a number of pre-IPO equity investments;
- the impact of pre-IPO subscriptions for convertible notes and other loans;
- the impact of pre-IPO investments made for new venues; and
- the impact of the Offer,

as if these transactions had occurred as at 30 June 2019.

The Pro-forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of Founders First's view of its financial position upon Completion of the Offer or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 8.6.

6 FINANCIAL INFORMATION

Table 6.10: Statutory Historical Statement of Financial Position and Pro-forma Historical Statement of Financial Position as at 30 June 2019

\$		FOUNDERS FIRST CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019	IMPACT OF PRE-IPO CAPITAL RAISING	IMPACT OF ACQUISITION OF 100% OF FOUNDERS MOMENTUM	IMPACT OF PRE-IPO EQUITY INVESTMENTS
	NOTES		1	2	3
Current assets					
Cash and cash equivalents		4,989,351	12,884,103	117,913	(1,800,000)
Trade and other receivables		153,825	–	144,293	–
Inventories		355,204	–	109,920	–
Other current assets		587,874	–	–	–
Total current assets		6,086,254	12,884,103	372,126	(1,800,000)
Non-current assets					
Receivables		105,000	–	–	–
Investments	7	53,501	–	–	1,588,000
Equity-accounted investees	8	50	–	–	2,450,000
Other financial assets		–	–	–	–
Property, plant and equipment	9	3,690,449	–	–	–
Intangible assets	10	1,230,730	–	717,189	–
Other non-current assets		105,435	–	–	–
Total non-current assets		5,185,165	–	717,189	4,038,000
Total assets		11,271,419	12,884,103	1,089,315	2,238,000
Current liabilities					
Trade and other payables		(1,106,163)	–	(284,891)	(1,338,000)
Borrowings	11	(24,095)	–	–	–
Employee benefit obligations		(72,804)	–	(54,424)	–
Total current liabilities		(1,203,062)	–	(339,315)	(1,338,000)
Non-current liabilities					
Borrowings	11	(99,910)	–	–	–
Total non-current liabilities		(99,910)	–	–	–
Total liabilities		(1,302,972)	–	(339,315)	(1,338,000)
Net assets		9,968,447	12,884,103	750,000	900,000
Equity					
Issued capital		10,885,941	12,884,103	750,000	–
Reserves		–	–	–	900,000
Retained earnings		(1,650,744)	–	–	–
		9,235,197	12,884,103	750,000	900,000
Non controlling interests	12	733,250	–	–	–
Total equity		9,968,447	12,884,103	750,000	900,000

IMPACT OF PRE-IPO SUBSCRIPTION FOR CONVERTIBLE NOTES AND OTHER LOANS	IMPACT OF NEW VENUE COSTS	IMPACT OF THE IPO OFFER (MINIMUM)	IMPACT OF THE IPO OFFER (MAXIMUM)	FOUNDERS FIRST PRO-FORMA HISTORICAL CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019 (MINIMUM)	FOUNDERS FIRST PRO-FORMA HISTORICAL CONSOLIDATED BALANCE SHEET AT 30 JUNE 2019 (MAXIMUM)
4	5	6	6		
(2,425,000)	(355,000)	8,900,000	16,000,000	22,311,367	29,411,367
–	–	–	–	298,118	298,118
300,000	–	–	–	765,124	765,124
–	–	–	–	587,874	587,874
(2,125,000)	(355,000)	8,900,000	16,000,000	23,962,483	31,062,483
–	–	–	–	105,000	105,000
–	–	–	–	1,641,501	1,641,501
–	–	–	–	2,450,050	2,450,050
2,125,000	–	–	–	2,125,000	2,125,000
–	1,330,000	–	–	5,020,449	5,020,449
–	–	–	–	1,947,919	1,947,919
–	–	–	–	105,435	105,435
2,125,000	1,330,000	–	–	13,395,354	13,395,354
–	975,000	8,900,000	16,000,000	37,357,837	44,457,837
–	(975,000)	–	–	(3,704,054)	(3,704,054)
–	–	–	–	(24,095)	(24,095)
–	–	–	–	(127,228)	(127,228)
–	(975,000)	–	–	(3,855,377)	(3,855,377)
–	–	–	–	(99,910)	(99,910)
–	–	–	–	(99,910)	(99,910)
–	(975,000)	–	–	(3,955,287)	(3,955,287)
–	–	8,900,000	16,000,000	33,402,550	40,502,550
–	–	9,232,321	16,357,028	33,752,365	40,877,072
–	–	–	–	900,000	900,000
–	–	(332,321)	(357,028)	(1,983,065)	(2,007,772)
–	–	8,900,000	16,000,000	32,669,300	39,769,300
–	–	–	–	733,250	733,250
–	–	8,900,000	16,000,000	33,402,550	40,502,550

6 FINANCIAL INFORMATION

Notes:

1. Reflects a pre-IPO capital raising of \$13.2 million less estimated costs of \$0.3 million.
2. Founders First entered into two transactions between August 2019 and November 2019 through which it acquired 100% of the issued shares in Founders Momentum, effective 1 July 2019. The acquisition of a controlling interest of 100% in Founders Momentum was in exchange for the issue of 1,875,000 Founders First ordinary shares. Additionally, Founders First has issued as consideration 500,000 performance rights which vest into ordinary shares in Founders First subject to the vesting conditions outlined in Section 10.11.

The Pro-forma adjustment currently does not reflect the fair value of the 500,000 performance rights which will need to be assessed as part of the Purchase Price Allocation accounting for the acquisition in accordance with AASB 3 – Business Combinations. The assessed fair value of the performance rights will result in an increase in intangible assets and a matching increase in equity reserves. The maximum potential adjustment in relation to these performance rights is \$250,000.

3. Reflects the following equity investments made between 30 June 2019 and the date of the IPO.

ENTITY	% INVESTMENT	TOTAL	CASH	PERFORMANCE RIGHTS	DEFERRED	FURTHER DETAILS OF TERMS OF ACQUISITION CAN BE FOUND IN SECTION
Slipstream*	15%	500,000	500,000	–	–	9.9
SauceCo	15%	1,050,000	1,050,000	–	–	9.7
Ballistic	10%	1,588,000	250,000	–	1,338,000	9.8
Brogan's Way	45%	900,000	–	900,000	–	9.12
		4,038,000	1,800,000	900,000	1,338,000	

* Founders First has a commitment to acquire a further 30% of the issued equity of Slipstream after the date of the IPO for total consideration of \$1.0m.

4. Reflects the following transactions:
 - between 30 June 2019 and the date of the Offer, Founders First has provided working capital loans to Sparkke totalling \$1.875 million. Refer to Section 9.10 of this Prospectus for further details of the contractual arrangements entered into with Sparkke.
 - between 30 June 2019 and the date of the Offer, Founders First has subscribed for Convertible Notes totalling \$0.25 million in K.Booch which convert into 20% of the issued equity in K.Booch. Refer to Section 9.16 of this Prospectus for further details of the contractual arrangements entered into with K.Booch.
 - between 30 June 2019 and the date of the IPO a further loan of \$0.3 million was made to Jetty Road to fund the purchase of additional inventory.
5. Reflects:
 - \$1.0 million payable for assets and lease assignment for the Moonee Ponds venue of which \$25,000 has been paid prior to the date of the Offer, with the balance due post IPO. Refer to Section 9.11 of this Prospectus for further details of the contractual arrangements entered into in relation to the Moonee Ponds venue.
 - \$0.2 million paid prior to the date of the Offer for leasehold improvements for a Sauce Cairns brewpub venue.
 - \$130,000 paid pre-IPO for leasehold improvements for the Jetty Road South Melbourne venue.
6. Reflects the proposed raise of between \$10.0 million and \$17.5 million, less estimated costs of the Offer of between \$1.1 million and \$1.5 million (respectively). Costs of the Offer directly attributable to the new issue of ordinary shares of between \$0.8 million and \$1.1 million have been applied against Share Capital and the balance of costs of the Offer of between \$0.3 million and \$0.4 million have been expensed to the profit and loss.
7. Founders First's investment in Ballistic is accounted for as a financial asset and will initially be recognised at cost.
8. Based on the terms of the investments and related shareholders agreements, Founders First will be deemed to have significant influence (as defined in AASB 128 – Investments in Associates and Joint Ventures) over Slipstream, SauceCo and Brogan's Way and, therefore, these investments are accounted for as equity-accounted investees.
9. Property, Plant and equipment at 30 June 2019 primarily comprises of brewery plant and equipment for Jetty Road and Foghorn.
10. Intangible assets at 30 June 2019 comprises of goodwill recognised in accordance with AASB 3 – Business Combinations on acquisition of control of Jetty Road (goodwill of \$264,726) and Foghorn (goodwill of \$966,004). Furthermore, intangible assets of \$717,189 is recognisable following the acquisition of a 100% interest in Founders Momentum.
11. Borrowings relate to finance lease liabilities.
12. Non-controlling interest relate to non-controlling interests held as at 30 June 2019 in Jetty Road (44.4%) and Foghorn (25.0%).

6.7.1 Liquidity and capital resources

Following Completion of the Offer, the Company will have, on a pro-forma basis, net cash of between \$22.2 million and \$29.3 million (after paying the costs of the Offer) as at 30 June 2019 arising from the Offer.

The Company expects that it will have sufficient cash to meet its short and medium term operational requirements and other business needs.

6.7.2 Contractual obligations, commitments and contingent liabilities

Table 6.11 sets out the lease commitments for offices under non-cancellable operating leases as at 30 June 2019 and the Offer Date.

Table 6.11: Lease commitments

\$	AS AT 30 JUNE 2019	AS AT THE OFFER DATE
Payable less than one year	461,103	697,115
Payable between one and five years	1,906,444	2,419,181
Payable after five years	533,810	402,717
	2,901,357	3,519,013

Founders First has entered into several material contracts that create contractual obligations in the ordinary course of business. Table 6.12 sets out the commitments for these contracts as at the date of the Offer.

Table 6.12: Contractual obligations and commitments

\$	AS AT THE OFFER DATE
Payable less than one year	3,125,000
Payable between one and five years	–
Payable after five years	–
	3,125,000

The above commitments relate to the subscription for equity in Slipstream as set out in Section 9.8 of this Prospectus and the subscription for convertible notes in Sparkke (net of the repayment of loans) as set out in Section 9.9 of this Prospectus.

At 30 June 2019 and the Offer Date, Founders First has given bank guarantees of \$127,795.

The Company had no other contingent liabilities as at 30 June 2019 or at the date of the Offer.

6.8 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO-FORMA HISTORICAL FINANCIAL INFORMATION

This Section 6.8 includes a discussion of key factors that affected Founders First's operating and financial performance during the period of the Historical Financial Information.

The discussion in this Section focuses on the Pro-forma financial information. The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Company's historical operating and financial performance, or everything that may affect the Company's operations and financial performance in the future. The information in this Section 6.8 should be read in conjunction with the risk factors set out in Section 4 and other information contained in this Prospectus. The Pro-forma Historical Financial Information may not reflect the full costs and benefits of the Company's business model, including additional investments in management, sales, marketing and other corporate, commercial and venue costs incurred since 30 June 2019.

The Pro-forma historical performance of Founders First comprises the historical performance of the following businesses:

- Jetty Road;
- Foghorn;
- Founders Momentum; and
- Founders First Corporate, Commercial and Venue Operations divisions.

6 FINANCIAL INFORMATION

The table below sets out the contribution of each business to Founders First's Pro-forma revenue and Pro-forma EBITDA for FY17, FY18 and FY19.

PRO-FORMA HISTORICAL – CONTRIBUTION BY BUSINESS \$

YEAR ENDED 30 JUNE	SECTION REFERENCE	NOTES	FY17	FY18	FY19
Revenue					
Jetty Road	6.8.1		102,082	1,538,006	3,319,813
Foghorn	6.8.2		2,665,893	3,007,300	2,814,146
Founders Momentum	6.8.3		1,131,317	1,339,592	1,433,075
Founders First Corporate, Commercial and Venue Operations divisions	6.8.4		–	14,141	–
Total Pro-forma Revenue			3,899,292	5,899,039	7,567,034
EBITDA					
Jetty Road	6.8.1		(121,789)	(238,615)	(557,089)
Foghorn	6.8.2		353,236	456,530	167,627
Founders Momentum	6.8.3		43,660	90,502	259,630
Founders First Corporate, Commercial and Venue Operations divisions	6.8.4		–	(68,922)	(859,479)
Pro-forma Adjustment – Incremental Listed Company Costs		1	(300,000)	(300,000)	(300,000)
Total Pro-forma EBITDA			(24,893)	(60,505)	(1,289,311)

Notes:

- Incremental ASX listed public company costs – adjustment made to include Founders First's estimate of incremental annual costs that it will incur as a listed company. These incremental costs include annual listing costs, share registry costs and additional legal, audit and tax compliance costs.

Management discussion and analysis of the historical performance of each of the above businesses is set out below.

6.8.1 Jetty Road

The table below sets out the Pro-forma historical income statements of Jetty Road for FY17, FY18 and FY19.

JETTY ROAD – HISTORICAL INCOME STATEMENTS \$

YEAR ENDED 30 JUNE	FY17 ¹	FY18	FY19
Revenue	102,082	1,538,006	3,319,813
Cost of sales	(95,438)	(698,555)	(1,527,597)
Gross Profit	6,644	839,451	1,792,216
Operating expenses			
Employee benefits expenses	(20,946)	(654,954)	(1,472,519)
Equipment hire and maintenance	(8,610)	(127,957)	(87,281)
Legal and professional fees	–	–	(100,361)
Selling and marketing expenses	(17,555)	(69,652)	(228,278)
Occupancy expenses	(56,638)	(93,095)	(221,158)
Travelling and conveyance	–	–	(35,273)
General and administration expenses	(24,684)	(132,408)	(204,435)
Total operating expenses	(128,433)	(1,078,066)	(2,349,305)
EBITDA	(121,789)	(238,615)	(557,089)

Notes:

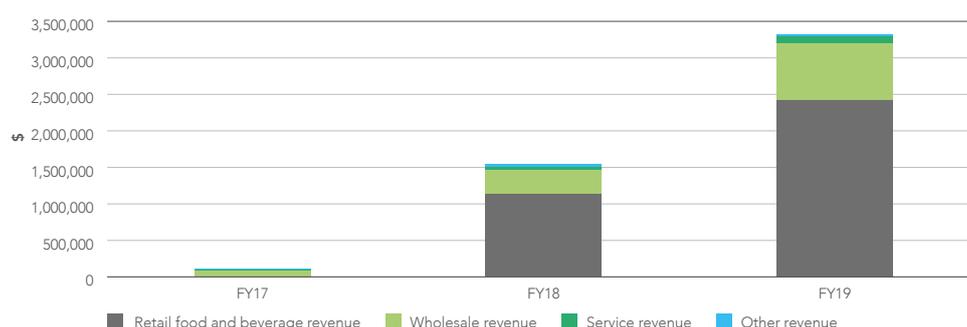
- Jetty Road commenced trading during FY17, focused primarily on local wholesale and retail sales. The Dromana restaurant opened and commenced trading in quarter two of FY18 and therefore FY17 does not include any retail sale of food and beverages.

Revenue

Revenue of Jetty Road now comprises of:

- Wholesale sale of beer to off-premise and on-premise retailers;
- Retail sale of beer and merchandise;
- Retail sale of restaurant food and beverage; and
- Ticketed sales and service fees for managed functions and events.

The figure below sets out Jetty Road's Pro-forma Historical revenue mix for FY17, FY18 and FY19.



Revenue has grown significantly between FY17 and FY19 primarily due to:

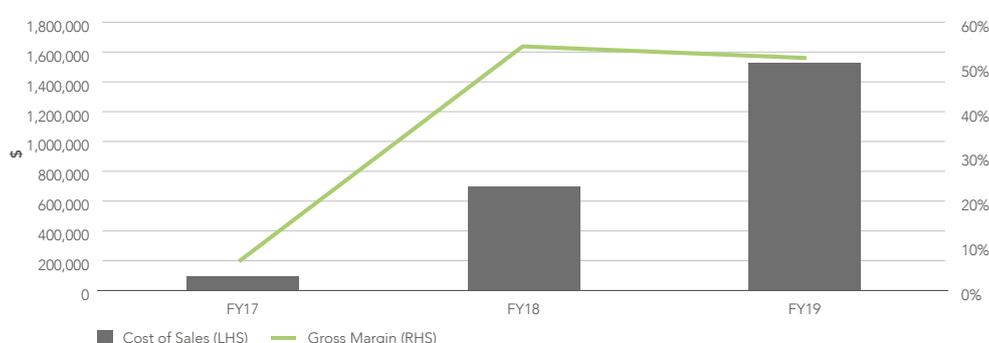
- New retail income streams upon opening the Dromana restaurant in October 2017;
- Full trading year of the Dromana restaurant in FY18; and
- Increased wholesale distributions through off premise and on-premise channels.

Cost of Sales and Gross Margins

Cost of sales comprise:

- contract production and packaging costs;
- variable costs of raw material inputs to production;
- fixed and variable labour and overhead costs directly associated with production;
- excise tax compulsorily incurred on beer units sold;
- freight, logistics and warehousing costs associated with holding finished goods;
- variable costs of food, beverage and other inputs procured and sold during the period; and
- adjustments to closing stock values for any loss or waste.

The figure below sets a breakdown of Jetty Road's Pro-forma Historical gross profit and gross profit margins.



Growth has been delivered across both wholesale and retail business streams.

Cost of sales has increased in line with increased revenue drivers.

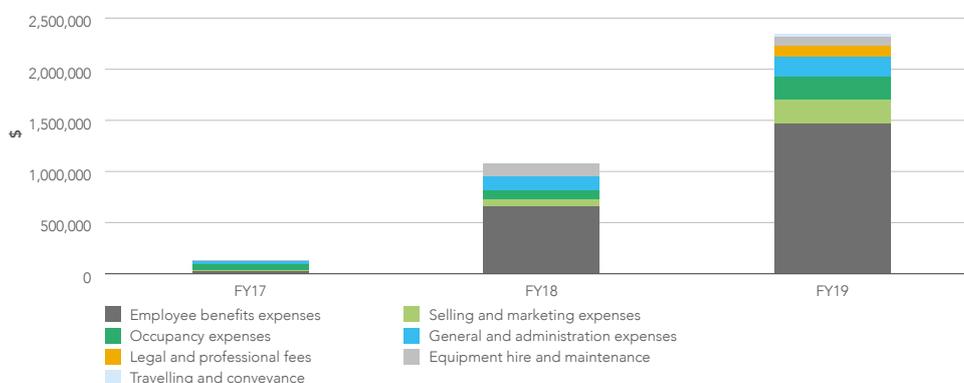
During the period and for the most part, whilst the company designed internal production facilities, the brewing and packaging capability was procured through contract supply arrangement.

During FY19 Jetty Road commissioned and installed an industrial grade brewing system, which is expected to drive future improvements in cost efficiencies and enable greater supply control and scalability over time.

6 FINANCIAL INFORMATION

Operating expenses

The figure below sets out a breakdown of Jetty Road's Pro-forma Historical operating expenses.



Employee benefits expenses

Employee benefits include salaries and wages paid to brewery, venue and office staff and all related payroll on-costs such as superannuation, payroll tax, workcover and leave provisions. The increased cost over time reflects full year trading operations and associated increased headcount, primarily in relation to front of house and back of house venue operations.

General and administration expenses

General and administration costs include insurance, security costs, merchant fees and bad debt write offs.

Increased costs over time reflects full trading in venue operations, additional insurance cover to include new Brewery facilities and the write off of unrecoverable amounts owing from a small portion of on-premise customers.

Legal and professional

Legal and professional expenses include legal costs associated with corporate structuring and capital raising in FY18 and FY19, company secretarial costs associated with corporate governance and outsourced accounting and bookkeeping fees from FY18.

Travelling and conveyance

Increased travel costs have been associated with increased sales and business development activity.

Occupancy

Occupancy costs include rental of the Dromana property and utility costs associated with the running of the venue and the Brewery facility.

Increases in costs over time reflect a full year of commercial rental paid and increased power and water usage.

Selling and marketing

Selling and marketing costs include sales commissions paid on sale of wholesale products and brand marketing costs associated with the promotion of the venue and new product launches, particularly in FY19.

6.8.2 Foghorn

The table below sets out the Pro-forma Historical income statements of Foghorn for FY17, FY18 and FY19.

FOGHORN – HISTORICAL INCOME STATEMENTS \$				
YEAR ENDED 30 JUNE	FY17	FY18	FY19	
Revenue	2,665,893	3,007,300	2,814,146	
Cost of sales	(738,295)	(789,267)	(786,388)	
Gross Profit	1,927,598	2,218,033	2,027,758	
Operating expenses				
Employee benefits expenses	(884,514)	(993,659)	(1,099,721)	
Equipment hire and maintenance	–	–	(6,342)	
Legal and professional fees	–	–	(43,547)	
Selling and marketing expenses	(32,349)	(53,653)	(123,818)	
Occupancy expenses	(145,306)	(151,267)	(289,241)	
Travelling and conveyance	–	–	(2,271)	
General and administration expenses	(512,193)	(562,924)	(295,191)	
Total operating expenses	(1,574,362)	(1,761,503)	(1,860,131)	
EBITDA	353,236	456,530	167,627	

Revenue

Revenue of Foghorn comprises of:

- Retail sale of restaurant food and beverage;
- Ticketed sales and service fees for managed functions and events;
- Retail sale of beer and merchandise; and
- Wholesale sale of beer primarily to on premise retailers.

The figure below sets out Foghorn's Pro-forma Historical revenue mix for FY17, FY18 and FY19.



During FY19 Foghorn experienced a decline in revenues whilst it navigated interruptions to business caused by changes in ownership and a company restructure.

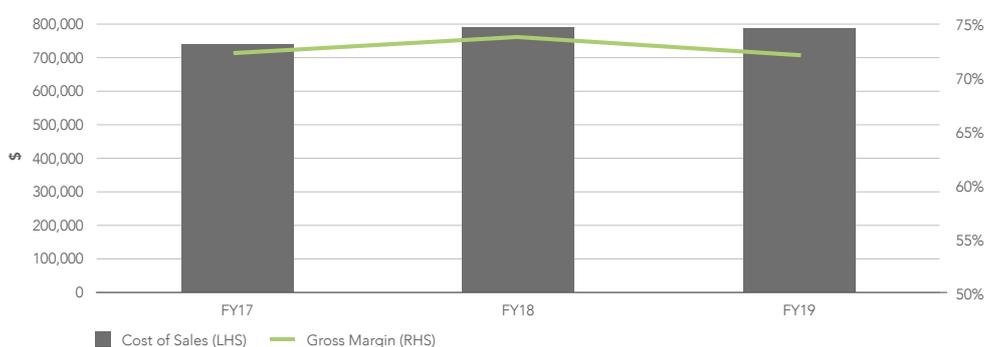
6 FINANCIAL INFORMATION

Cost of Sales and Gross Margins

Cost of sales comprise:

- variable costs of food, beverage and other inputs procured and sold during the period;
- excise tax compulsorily incurred on beer units sold;
- variable costs of raw material inputs to production;
- fixed and variable labour and overhead costs directly associated with production; and
- adjustments to closing stock values for any loss or waste.

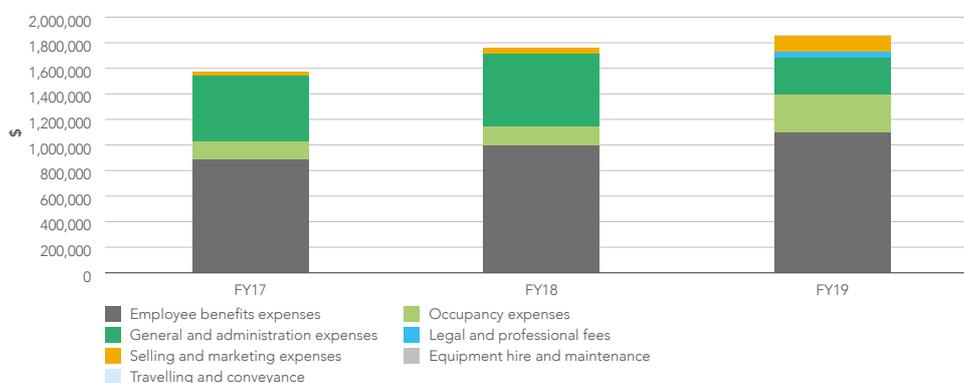
The figure below sets a breakdown of Foghorn's Pro-forma Historical gross profit and gross profit margins.



Profitability has remained fairly constant over time with costs directly attributable to fluctuations in revenues.

Operating expenses

The figure below sets out a breakdown of Foghorn's Pro-forma Historical operating expenses.



Employee benefits expenses

Employee benefits include salaries and wages paid to brewery, venue and office staff and all related payroll on-costs such as superannuation, payroll tax, workcover and leave provisions. The increased costs over time reflects changed employment terms and agreements with key staff including the head brewer/CEO and head chef, previously engaged as consultants.

General and administration expenses

General and administration costs include insurance, kitchen consumables and merchant fees.

FY17 and FY18 expenses also includes consultancy fees associated with key contracted appointments. The decline in costs reflects changed employment terms and agreements with key staff including the head brewer and head chef.

Legal and professional

Legal and professional expenses from FY19 include legal costs associated with corporate restructuring and capital raising, company secretarial costs associated with corporate governance and outsourced accounting and bookkeeping fees.

Occupancy

Occupancy costs include rental of the Newcastle property and utility costs associated with the running of the venue and the Brewery facility.

Increases in costs from FY19 reflect market rental variations on the assignment of the lease. Increased power utility charges have also been incurred.

Selling and marketing

Selling and marketing costs include sales commissions paid on sale of wholesale products and brand marketing costs associated with the promotion of the venue and new product launches, particularly in FY19.

During FY19 the Foghorn brand was redeveloped, the business relaunched, and a new core packaged product range was developed and introduced to market.

6.8.3 Founders Momentum

The table below sets out the Pro-forma Historical income statements of Founders Momentum for FY17, FY18 and FY19.

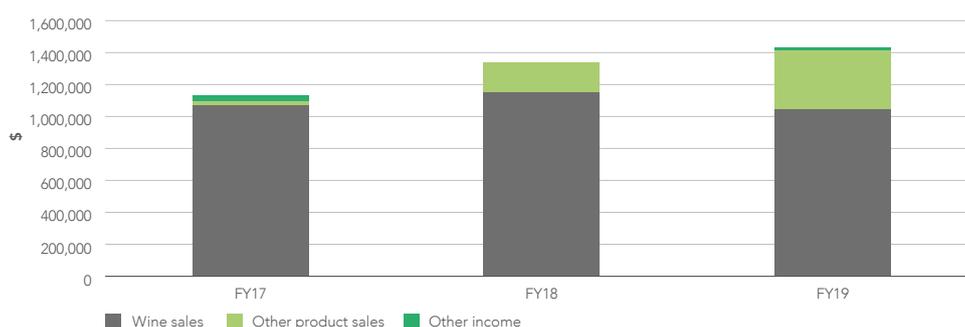
FOUNDERS MOMENTUM – HISTORICAL INCOME STATEMENTS \$			
YEAR ENDED 30 JUNE	FY17	FY18	FY19
Revenue	1,131,317	1,339,592	1,433,075
Cost of sales	(721,401)	(850,817)	(797,600)
Gross Profit	409,916	488,775	635,475
Operating expenses			
Employee benefits expenses	(203,992)	(199,663)	(209,316)
Equipment hire and maintenance	(5,350)	(6,718)	(7,454)
Legal and professional fees	(38,329)	(43,662)	(38,460)
Selling and marketing expenses	(10,741)	(6,750)	(6,054)
Occupancy expenses	(49,695)	(50,231)	(48,817)
Travelling and conveyance	–	–	–
General and administration expenses	(58,149)	(91,249)	(65,744)
Total operating expenses	(366,256)	(398,273)	(375,845)
EBITDA	43,660	90,502	259,630

Revenue

Revenue of Founders Momentum comprises of:

- Export and domestic sales of wine; and
- Export and domestic sales of other products (Honey, Cider and Alpaca Quilts).

The figure below sets out Founders Momentum's Pro-forma Historical revenue mix for FY17, FY18 and FY19.



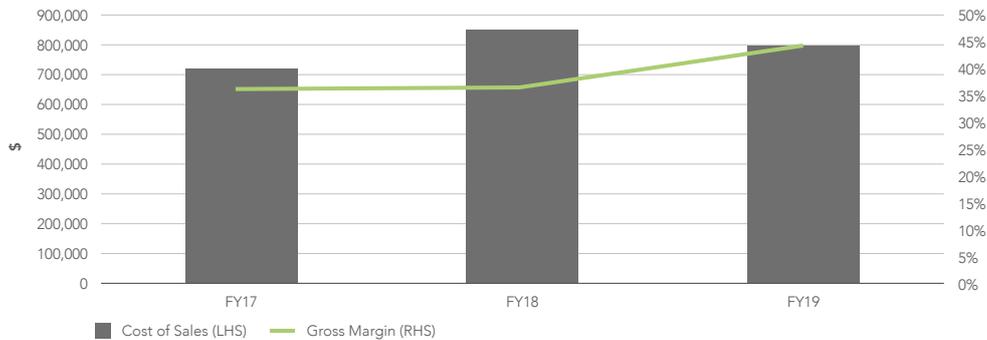
The business commenced trading in the sale of wine only. In FY18 the company expanded its product range to include other in-demand products for the Chinese market and further expanded in FY19 to include Alpaca quilts.

6 FINANCIAL INFORMATION

Cost of Sales and Gross Margins

Cost of Sales comprise the procurement, production and packaging of products for sale including tariffs and rates.

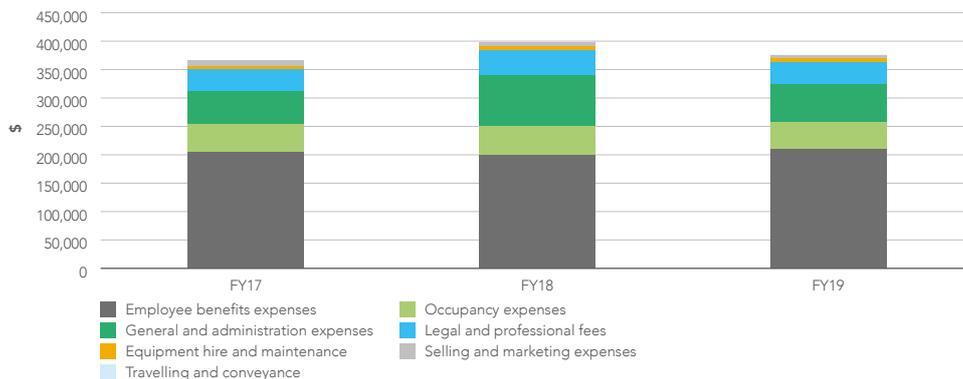
The figure below sets a breakdown of Founders Momentum's Pro-forma Historical gross profit and gross profit margins.



The movement in gross margin over time reflects the changed product range. From FY19 this included more profitable premium Australian wines.

Operating expenses

The figure below sets out a breakdown of Founders Momentum's Pro-forma Historical operating expenses.



Operating costs have remained fairly constant over time with small increments primarily in employee benefits and general and administration expenses.

Employee benefits expenses

Employee benefits include salaries and wages paid to casual and full-time staff and all related payroll on-costs such as superannuation, payroll tax, workcover and leave provisions. No change has been made to headcount, however wages have increased as a result of wage increases over the historical period.

General and administration expenses

General and administration costs include travel and conveyancing costs which have increased in FY18 in line with an increase in trips to China in FY18 together with increased commission paid on sales and increased storage costs of holding wine.

Legal and professional

Legal and professional costs include bookkeeping and administration fees.

6.8.4 Founders First Corporate, Commercial and Venue Operations divisions

The table below sets out the Pro-forma Historical income statements of Founders First Corporate, Commercial and Venue Operations divisions for FY17, FY18 and FY19.

HISTORICAL INCOME STATEMENTS \$			
YEAR ENDED 30 JUNE	FY17	FY18	FY19
Revenue	–	14,141	–
Cost of sales	–	–	–
Gross Profit	–	14,141	–
Operating expenses			
Employee benefits expenses	–	(27,375)	(434,500)
Equipment hire and maintenance	–	–	(4,754)
Legal and professional fees	–	(42,189)	(384,935)
Selling and marketing expenses	–	(4,892)	(7,180)
Occupancy expenses	–	(1,438)	66,108
Travelling and conveyance	–	(2,190)	(32,182)
General and administration expenses	–	(4,979)	(62,036)
Total operating expenses	–	(83,063)	(859,479)
EBITDA	–	(68,922)	(859,479)

Founders First Corporate, Commercial and Venue Operations divisions have evolved over the three-year period from start up to resourced operational function.

Employee benefits expenses

Employee benefits include salaries and wages paid to commercial sales staff and all related payroll on-costs such as superannuation, payroll tax, workcover and leave provisions. The increased cost over time reflects the mobilisation of operational capability with headcount increasing from 1 to 5 by the end of FY19.

Legal and professional

Legal and professional expenses have increased significantly over time reflective of corporate structuring and the rapid increase in acquisition activity and Indie Craft Collective service arrangements. Costs include legal due diligence and contract negotiation as well as the establishment of business management foundations, tools and templates for future employment and service agreement. Costs also include an increase in company secretarial, governance and finance in support of becoming a publicly listed entity.

General and administration expenses

General and administration costs include insurance, office maintenance and set up, merchant fees, training and subscription fees and forfeited deposits on failed venue acquisition contracts. Costs have increased in line with the increases in the activities of the Corporate, Commercial and Venue Operations divisions.

Occupancy

Occupancy costs include the net income on freehold properties and the cost of corporate offices.

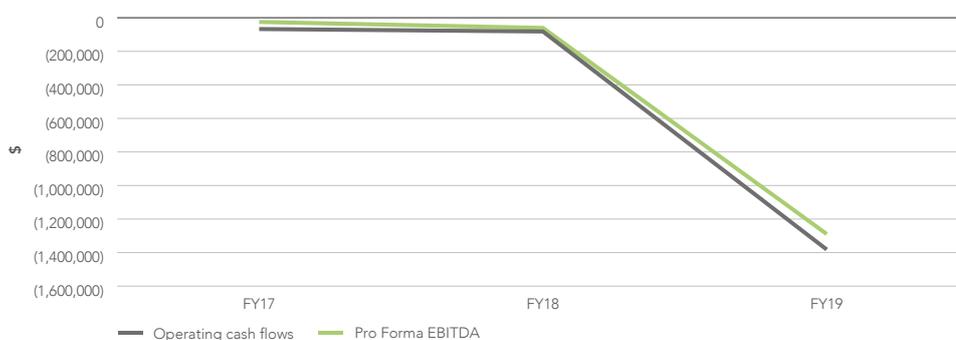
Travelling and conveyance

Travelling and conveyancing includes national and international travel associated with acquiring a national portfolio as well as investor and public relations in association with capital raising.

6 FINANCIAL INFORMATION

6.8.5 Pro-forma Operating Cash Flow

The figure below sets out Pro-forma Historical operating cash flows and Pro-forma Historical EBITDA for FY17, FY18 and FY19.



As shown in the figure above, operating cash outflows have been marginally in excess of negative EBITDA as a result of increases in working capital over each financial year as a result of the growth in operations of each business within Founders First.

Founders First is investing cash reserves ahead of the curve to build its national portfolio and establish its operational service capability, particularly in the Indie Craft Collective.

6.8 CRITICAL ACCOUNTING POLICIES

Preparing financial statements in accordance with AAS requires management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported revenues and expenses, carrying values of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements Founders First has made in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. The key areas in which critical estimates and judgements are as described in the significant accounting policies outlined in Appendix A.

6.9 DIVIDEND POLICY

Further details in relation to Founders First's dividend policy can be found in Section 10.5 of this Prospectus.

INVESTIGATING ACCOUNTANT'S REPORT



7 INVESTIGATING ACCOUNTANT'S REPORT



13 November 2019

The Board of Directors
Founders First Limited
1320 Malvern Road
Malvern VIC 3144

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Level 21, 55 Collins Street Melbourne VIC 3000
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Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report on Founders First Limited's statutory historical financial information and pro forma historical financial information

We have been engaged by Founders First Limited ("Founders First" or "the Company") to report on certain statutory historical financial information and pro forma historical financial information for inclusion in a Prospectus dated on or about 13 November 2019.

The Prospectus relates to the initial public offering ("IPO") of the Company to raise between \$10.0 million and \$17.5 million ("Offer"), before costs of the Offer.

Founders First was incorporated on 13 November 2017. Founders First acquired a controlling interest of 55.6% in Jetty Road Brewery Pty Ltd ("Jetty Road") on 26 July 2018, and a controlling interest of 75.0% in Foghorn Brewery Pty Ltd, an entity which acquired the business and assets of Foghorn Brewhouse King Street, Newcastle NSW ("Foghorn") on 28 January 2019. Founders First also undertook two transactions between August 2019 and November 2019 whereby it acquired 100% of the issued shares in Founders Momentum International Pty Ltd ("Founders Momentum") with effect from 1 July 2019.

Founders First also currently owns a 15% interest in Slipstream Brewing Company Pty Ltd ("Slipstream") at the Offer Date and has a commitment to acquire a further 30% of the issued equity of Slipstream post IPO (increasing its ownership to 45% of the issued equity) and will also be granted an option to acquire an additional 6% of the issued equity of Slipstream on the terms outlined in Section 9.9 of the Prospectus.

Expressions and terms defined in the Prospectus have the same meaning in this report.

Scope

Statutory Historical Financial Information

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the statutory historical financial information included in Section 6 of the Prospectus, comprising:

- the audited statutory historical consolidated income statements of Founders First for the period 13 November 2017 to 30 June 2018 and the year ended 30 June 2019;

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RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

- the audited statutory historical income statements of Slipstream for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.
- the audited statutory historical consolidated cash flow statements of Founders First for the period 13 November 2017 to 30 June 2018 and the year ended 30 June 2019;
- the audited statutory historical cash flow statements of Slipstream for the years ended 30 June 2017, 30 June 2018 and 30 June 2019; and
- the audited statutory historical consolidated statement of financial position of Founders First as at 30 June 2019,

collectively “the Statutory Historical Financial Information”.

The Statutory Historical Financial Information of Founders First has been derived from the audited general purpose financial statements of Founders First for the period 13 November 2017 to 30 June 2018 and the year ended 30 June 2019, which were audited by RSM Australia Partners. RSM Australia Partners has issued unqualified audit opinions on these financial statements.

The Statutory Historical Financial Information of Slipstream has been extracted from the audited financial statements of Slipstream for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 which were audited by RSM Australia Partners. RSM Australia Partners has issued unqualified audit opinions on these financial statements.

The Statutory Historical Financial Information of Founders First and Slipstream has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and Founders First’s adopted accounting policies.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested RSM to review the pro forma historical financial information included in Section 6 of the Prospectus and comprising:

- the pro forma historical consolidated income statements of Founders First for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- the pro forma historical consolidated cash flow statements of Founders First for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- the pro forma historical consolidated statement of financial position of Founders First as at 30 June 2019; and
- the pro forma adjustments as described in Section 6 of the Prospectus,

collectively referred to as “the Pro Forma Historical Financial Information”.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Founders First, Jetty Road, Foghorn and Founders Momentum, adjusted for the transactions/adjustments summarised in Section 6 of the Prospectus. The stated basis of preparation is the recognition and measurement requirements of Australian Accounting Standards and Founders First’s adopted accounting policies applied to

7 INVESTIGATING ACCOUNTANT'S REPORT



the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 6 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Due to its nature, the Pro Forma Historical Financial Information does not represent Founder First's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information of Jetty Road for the year ended 30 June 2017 and 30 June 2018 has been derived from the audited financial statements of Jetty Road for the years ended 30 June 2017 and 30 June 2018, which were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM Australia Partners has issued unqualified audit opinions on these financial statements.

The Pro Forma Historical Financial Information of Foghorn for the years ended 30 June 2017 and 30 June 2018 and for the period 1 July 2018 to 28 February 2019 has been derived from the audited financial statements of Foghorn for the years ended 30 June 2017 and 30 June 2018 and for the period 1 July 2018 to 28 February 2019. These financial statements were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM Australia Partners has issued unqualified audit opinions on these financial statements.

The Pro Forma Historical Financial Information of Founders Momentum for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 has been derived from the audited financial statements of Founders Momentum for the years ended 30 June 2017, 30 June 2018 and 30 June 2019. These financial statements were audited by RSM Australia Partners in accordance with Australian Auditing Standards. RSM Australia Partners has issued unqualified audit opinions on these financial statements.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' responsibility

The directors of Founders First are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information; and
- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the Statutory Historical Financial Information and Pro Forma Historical Financial Information;
- a review of the work papers, accounting records and other supporting documents of Founders First, Slipstream, Jetty Road Brewery, Foghorn Brewhouse and Momentum;
- enquiry of directors, management personnel and advisors; and
- the performance of analytical procedures applied to the Statutory Historical Financial Information and Pro Forma Historical Financial Information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as source of the financial information.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as described in Section 6 of the Prospectus, and comprising:

- the audited statutory historical consolidated income statements of Founders First for the period 13 November 2017 to 30 June 2018 and the year ended 30 June 2019;
- the audited statutory historical income statements of Slipstream for the years ended 30 June 2017, 30 June 2018 and 30 June 2019.
- the audited statutory historical consolidated cash flow statements of Founders First for the period 13 November 2017 to 30 June 2018 and the year ended 30 June 2019;
- the audited statutory historical cash flow statements of Slipstream for the years ended 30 June 2017, 30 June 2018 and 30 June 2019; and
- the audited statutory historical consolidated statement of financial position of Founders First as at 30 June 2019,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 6 of the Prospectus, and comprising:

- the pro forma historical consolidated income statements of Founders First for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;
- the pro forma historical consolidated cash flow statements of Founders First for the years ended 30 June 2017, 30 June 2018 and 30 June 2019;

7 INVESTIGATING ACCOUNTANT'S REPORT



- the pro forma historical consolidated statement of financial position of Founders First as at 30 June 2019; and
- the pro forma adjustments as described in Section 6 of the Prospectus,

is not presented fairly in all material aspects, in accordance with the stated basis of preparation, as described in Section 6 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 6.2, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

Declaration of Interest

RSM Corporate Australia Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in blue ink that reads 'A. Clifford'.

RSM CORPORATE AUSTRALIA PTY LTD

Andrew Clifford
Director

DETAILS OF THE OFFER

8



8 DETAILS OF THE OFFER

8.1 THE OFFER

The Company is offering for subscription between 20.0 million and 35.0 million New Shares under the Offer at an Offer Price of \$0.50 per New Share to raise between \$10.0 million and \$17.5 million (before deducting the costs and expenses of the Offer). The Offer is made on the terms, and subject to the conditions, set out in this Prospectus.

Applications for New Shares may be made in accordance with the process described in Section 8.8.

8.2 MINIMUM AND MAXIMUM SUBSCRIPTIONS

The Minimum Subscription under the Offer is 20.0 million New Shares to raise \$10.0 million (before associated costs).

None of the New Shares offered under this Prospectus will be issued if Applications are not received for the Minimum Subscription. Should Applications for the Minimum Subscription not be received within four months from the date of this Prospectus, the Company will either repay the Application Amounts (without interest) to Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Applications and have their Application Amounts refunded to them (without interest).

The Maximum Subscription under the Offer is 35.0 million New Shares to raise \$17.5 million (before associated costs). Oversubscriptions will not be accepted under the Offer.

8.3 CAPITAL STRUCTURE

The capital structure of the Company on Completion of the Offer will be as follows:

KEY SHAREHOLDERS	SHARES HELD PRIOR TO THE OFFER		SHARES HELD FOLLOWING COMPLETION OF THE OFFER	
	SHARES (M)	SHARES (%)	SHARES (%) ¹	SHARES (%) ²
Founders and Directors	23,557,256	25.6%	21.0%	18.5%
Existing Shareholders (excluding Founders and Directors)	68,432,028	74.4%	61.1%	53.9%
New Shareholders	–	–	17.9%	27.6%
Total (undiluted)	91,989,284	100.0%	100.0%	100.0%
Performance Rights	2,910,000 ³	3.1%	3.2% ⁴	2.8%
Total (diluted)	94,899,284	100.0%	100.0%	100.0%

1. Assuming \$10.0 million is raised under the Offer.

2. Assuming \$17.5 million is raised under the Offer.

3. Comprising 160,000 Performance Rights issued under the Employee Incentive Plan; 2.25 million Brogan's Way Performance Rights and 500,000 FMI Performance Rights.

4. Comprising 960,000 Performance Rights issued under the Employee Incentive Plan; 2.25 million Brogan's Way Performance Rights and 500,000 FMI Performance Rights.

8.4 THE OFFER

The Offer is open to clients of the Lead Manager and the public, which will include both Institutional Investors and Retail Investors, who are residents of Australia and such other persons to whom it would be lawful to make the Offer.

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Offer.

If you are outside Australia, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the New Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

The Offer does not and will not constitute an offer of Shares in the US. Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that applicant's application.

8.5 PURPOSE OF THE OFFER

The purposes of the Offer are to:

- achieve the business objectives outlined in Section 8.6 of this Prospectus;
- raise capital to fund future growth and expansion;
- gain access to capital markets, which the Company expects will give it added financial flexibility to pursue growth opportunities;
- provide a liquid market for the Company's shares and an opportunity for others to invest in the Company; and
- provide the Company with the benefits that attach to the increased profile that arises from being a listed entity.

8.6 USE OF PROCEEDS

The proceeds of the Offer will allow the Company to:

- accelerate the growth of the Jetty Road and Foghorn businesses and distribution of their products;
- complete the acquisition of additional majority, controlling or minority interests in additional craft breweries and distilleries in respect of which Founders First believes it can accelerate growth and drive shareholder returns;
- acquire interests in, or accelerate the development of, additional hospitality venues;
- expand Founders First's Indie Craft Collective services team; and
- invest in its existing export capabilities.

8 DETAILS OF THE OFFER

The Company expects to fund its operations through operational cash flows, the proceeds of the Offer and existing cash reserves. The Company intends to apply the funds raised under the IPO, together with existing cash reserves, over the first 24 months following Quotation as follows:

SOURCES OF FUNDS					USES OF FUNDS				
	\$M ³	% ³	\$M ⁴	% ⁴		\$M ³	% ³	\$M ⁴	% ⁴
Offer proceeds	10.0	43	17.5	57	Capex for Jetty Road and Foghorn	1.5	6	1.5	5
Existing cash on listing (before paying outstanding costs of the Offer)	13.3	57	13.3	43	Complete the acquisition of additional craft breweries and distilleries, including Ballistic, Slipstream and Sparkke investment ¹	4.6	20	4.6	15
					Acquire interests in, or accelerate the development of, additional hospitality venues	6.3	27	6.3	20
					Investment in Sales Collective, export capabilities, product and development and general corporate expenses	7.8	33	7.8	25
					Additional funds for investment and working capital	2.0	9	9.1	30
					Costs of the Offer ²	1.1	5	1.5	5
Total	23.3	100.0	30.8	100.0	Total	23.3	100.0	30.8	100.0

1. Sparkke investment represents a \$4,000,000 convertible note, of which \$2,125,000 will be advanced in cash and \$1,875,000 will repay an existing loan from the Company to Sparkke. See section 9.9 for details.
2. These costs include GST. Given certain costs associated with the Offer were paid prior to the date of this Prospectus, these IPO costs are the estimated outstanding costs associated with the Offer which will be paid from existing cash reserves or funds raised under the Offer.
3. Assuming \$10.0 million is raised under the Offer.
4. Assuming \$17.5 million is raised under the Offer.

This table represents the Company's current intentions based upon its plans and present business conditions. The amounts and timing of the actual expenditures and investments may vary significantly and will depend on numerous factors including any changes from the expected business environment. The Directors believe that the Company's current cash reserves, and its cashflow from existing operations plus the net proceeds of the Offer will be sufficient to fund the Company's stated business objectives.

8.7 INTERESTS OF ADVISORS WITH MATERIAL INTERESTS IN THE SUCCESS OF THE IPO

As further detailed in Section 10.12, Bell Potter is entitled to be paid fees which are contingent on the success of the IPO. As at the date of this Prospectus:

- a Director of Corporate Finance at Bell Potter has a relevant interest in 50,000 Shares in the Company (**Promoter Shares**). The Promoter Shares were acquired under a placement completed by the Company on 4 November 2019;
- the consideration paid for the Promoter Shares was \$0.40 per Share;
- Bell Potter is entitled to receive fees for services provided in connection with the IPO, calculated as follows:
 - a management fee of 3% of all funds raised under the Offer; and
 - a selling fee of 2% of the General Proceeds and 1% of the Company Proceeds.

All other advisers to the Company have been, or will be, paid normal professional fees for services rendered in connection with the IPO. Please see Section 10.12 for further details.

8.8 APPLICATIONS

Applications for New Shares under the Offer must be made using the Application Form attached to this Prospectus or as instructed by the Lead Manager.

The Application Form attached to this Prospectus contains detailed instructions on how the form for the Public Offer can be completed.

An original, completed and lodged Application Form, together with a cheque or electronic funds transfer for the required Application Amount, constitutes a binding and irrevocable offer to subscribe for the number of shares specified in each Application Form. If the Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an Application as valid and how to construe, amend or complete the Application Form is final; however an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque or the electronic funds transfer.

Option 1: Submitting an Application Form with a cheque

Completed Application Forms and accompanying payment cheques must be received by the Company before 5.00pm (AEDT) on the Closing Date by either being delivered to or posted to the address set out in the Application Form. Cheques must be payable to "Founders First Limited". Please attach your cheque securely to the Application Form.

Option 2: Submitting an Application Form and paying with BPAY®

Applicants under the Offer wishing to pay by BPAY® should complete the online Offer Application Form accompanying the electronic version of this Prospectus which is available via a link at the Company website <https://www.foundersfirst.group/investors> and follow the instructions on the online Offer Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)). You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions. When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEDT) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

8.9 MINIMUM APPLICATION AMOUNTS

Applications must be for a minimum of 4,000 New Shares (i.e. \$2,000) and, thereafter, in multiples of 1,000 New Shares (i.e. \$500). There is no maximum value of New Shares that may be applied for under the Offer.

8.10 ALLOCATION POLICY

The basis of allocation of New Shares under the Offer will be determined by the Company and the Lead Manager. Certain Applicants nominated by the Company may be given preference in allotment of New Shares.

The Company reserves the right in its absolute discretion to not issue New Shares to Applicants under the Offer and may reject any Application or allocate a lesser amount of New Shares than those applied for, including allocating no New Shares, at its absolute discretion. Additionally, the Company and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications (or aggregate of Applications) in their sole discretion.

The allocation policy under the Offer will be influenced by the following factors:

- an appropriate split between Institutional Investors and Retail Investors;
- number of New Shares bid for by a particular bidder;
- a desire to establish a wide spread of shareholders;
- a desire for an informed and active trading market following commencement of the Shares to trading on ASX;
- overall level of demand under the Offer;
- the likelihood that particular bidders will be long term shareholders; and
- any other factors the Company and the Lead Manager considered appropriate.

Application Amounts will be held in trust on behalf of Applicants until the New Shares offered under this Prospectus are issued. The banking of Application Amounts in a trust account does not constitute acceptance of the relevant Application. If any Application is rejected in whole or in part, the relevant Application Amounts will be repaid to the unsuccessful Applicant within the time period set out under the Corporations Act, without interest. For the avoidance of doubt, all interest earned on Application Amounts (including those which do not result in allotment of New Shares) will be retained by the Company.

8 DETAILS OF THE OFFER

8.11 OFFER PERIOD

The Offer will open on Thursday, 21 November 2019 and is expected to close on Monday, 9 December 2019. The Company and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Your broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible.

8.12 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue or transfer of New Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Amounts will be refunded (without interest).

The Company and the Lead Manager also reserve the right to reject any Application, or allocate to any Applicant fewer Shares than the amount applied for.

8.13 COMPLETION AND ALLOTMENT

Application Amounts will be held in trust for Applicants until the allotment of the New Shares. Any interest that accrues will be retained by the Company. No allotment of New Shares under this Prospectus will occur unless:

- (a) the Minimum Subscription is reached (refer to Section 8.2); and
- (b) the ASX grants conditional approval for the Company to be admitted to the Official List (refer to Section 8.14).

It is expected that allocations will be determined and allotment will occur on Thursday, 12 December 2019. It is expected that initial holding statements detailing the Securities allotted to each Applicant will be mailed to successful Applicants by standard post on or about Friday, 13 December 2019.

Where the number of New Shares issued is less than the number applied for, surplus Application Amounts will be refunded (without interest) as soon as reasonably practicable after the Closing Date.

Subject to the matters in Section 8.14, New Shares under the Offer are expected to be allotted on the Allotment Date. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares issued under the Offer. Applicants who sell Shares before they receive their holding statements do so at their own risk.

8.14 ASX LISTING AND OFFICIAL QUOTATION

No later than seven days after the date of this Prospectus, the Company will apply to the ASX for admission to the Official List of the ASX and for its Shares to be granted Quotation by the ASX (except those Shares that may be designated by ASX as Escrowed Securities). The Company is not currently seeking a listing of its Securities on any other stock exchange.

The fact that the ASX may admit the Company to the Official List of the ASX and grant Quotation of the Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered for subscription under the Offer. The ASX takes no responsibility for the contents of this Prospectus. If Quotation is granted, normal settlement trading in the Shares is expected to commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive confirmation of their allotment will do so at their own risk.

If permission for Quotation of the Shares is not granted within three months after the date of this Prospectus (or within such longer period as may be permitted by ASIC), none of the New Shares offered under this Prospectus will be allotted and issued and all Application Amounts received by the Company will be refunded (without interest) as soon as practicable.

The Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.

8.15 CHES AND ISSUER SPONSORED HOLDINGS

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHES**) and will comply with the Listing Rules and the Settlement Operating Rules. CHES is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) for issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued in respect of any Shares or Options.

Following distribution of these initial holding statements, an updated holding statement will only be provided after the end of any month during which changes occur to the number of Securities held by the Shareholder and as otherwise required under the Listing Rules and the Corporations Act.

Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

8.16 SETTLEMENT AND TRADING ON MARKET

It is expected that trading of the Shares on ASX will commence on ASX on or about Tuesday, 17 December 2019 on a normal settlement basis.

It is the responsibility of each person who trades in Shares to confirm their holding before trading. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, the Lead Manager and the Share Registry disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Lead Manager or confirmed your allocation of New Shares through a Broker.

8.17 TAX CONSIDERATIONS

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares, pursuant to the Offer, from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

8.18 BROKERAGE, COMMISSION AND STAMP DUTY CONSIDERATIONS

No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 10.12 for details of various fees payable by the Company to the Lead Manager.

8.19 OVERSEAS DISTRIBUTION

No action has been taken to register or qualify the offer of Shares under this Prospectus, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. Other than Australia, this Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons into whose possession this document comes should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

8 DETAILS OF THE OFFER

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA. This document is issued on a confidential basis to fewer than 50 persons in Singapore in a private placement under Section 272B of the SFA and the New Shares may not be offered or sold in Singapore by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus. You may not forward or circulate this document to any other person in Singapore. Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the *Financial Services and Markets Act 2000*, as amended ("FSMA")) has been published or is intended to be published in respect of the rights or the New Shares. This document is issued on a confidential basis to fewer than 150 persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA) in the United Kingdom, and these securities may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) received in connection with the issue or sale of the rights or the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) FSMA

does not apply to the Company. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the *Financial Services and Markets Act 2000* (Financial Promotions) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investment to which this document relates is available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

8.20 ESCROW ARRANGEMENTS

8.20.1 ASX Escrow Restrictions

Chapter 9 of the Listing Rules prohibits holders of Escrowed Securities from, or agreeing to, disposing of those securities, or an interest in those securities for the relevant Escrow Periods prescribed under the Listing Rules.

In connection with the Company’s application for admission to the Official List, the Company has applied to the ASX for confirmation as to the application of Chapter 9 of the Listing Rules to the Company’s Shares.

As at the date of this Prospectus, the ASX has not made a final determination regarding ASX Escrow Restrictions, however, the Company expects that the securities set out in the table in Section 8.20.3 will be subject to ASX Escrow Restrictions. The ASX’s determination may be different from the assumptions set out in this Prospectus. The Company will announce to the ASX full details of the Shares subject to Escrow Restrictions prior to the Shares commencing trading on ASX.

Once confirmed by the ASX, the Company will enter into restriction agreements with, or issue a ‘restriction notice’ to, each party holding Escrowed Securities which will prohibit the holder from transferring the relevant Securities during the relevant Escrow Period.

8.20.2 Voluntary Escrow Period

Further, certain existing Securityholders have agreed to voluntarily escrow a portion of their Shares for a period post-Listing. The Voluntary Escrow Restrictions are broadly intended to be applied such that approximately 90% of existing unrelated Shareholder’s Securities will be subject to Escrow Restrictions (including ASX Escrow Restrictions and Voluntary Escrow Restrictions) until 1 March 2020 at which point 10% of those Securityholders Securities will be released from Voluntary Escrow Restrictions. The remaining Voluntary Escrowed Securities will be released on the earlier of the date that the Company releases its Appendix 4E in respect of FY20 and 30 November 2020 (**Release Date**). All Shares held by Directors (and their related entities) will be subject to Escrow Restrictions until 24 months after Quotation (**Director Escrow Restrictions**).

Any ASX Escrowed Securities will remain subject to ASX Escrow Restrictions until the end of the applicable ASX Escrow Period (to the extent that such period extends past the Release Date).

The Company has applied for relief from ASIC under sections 655A(1)(b) and 673(1)(b) of the Corporations Act to modify Chapter 6 and Chapter 6C of the Corporations Act so that the Voluntary Escrow Restrictions do not give rise to the Company having a relevant interest in respect of the Voluntary Escrowed Securities (**ASIC Relief**).

If the ASIC Relief is granted, the Company anticipates entering into voluntary restriction agreements (**Voluntary Escrow Agreements**) with the relevant Shareholders in respect of additional Existing Shares, which would see Voluntary Escrow Restrictions applied as follows (in addition to the Shares which are expected to be subject to ASX Escrow Restrictions):

PERIOD	VOLUNTARY ESCROW SHARES	% OF ISSUED SHARES ¹ (ASSUMING MINIMUM SUBSCRIPTION)	% OF ISSUED SHARES ¹ (ASSUMING MAXIMUM SUBSCRIPTION)
From Quotation until 1 March 2020	50,665,863	45%	40%
From 1 March 2020 until the Release Date	54,302,850	49%	43%
From the Release Date until 24 months from Quotation	5,087,379	5%	4%

1. Assuming no additional Shares are issued between Quotation and the expiry of the relevant Voluntary Escrow Restrictions.

8 DETAILS OF THE OFFER

Under the Voluntary Escrow Agreements, Shareholders may exercise the voting rights attaching to Voluntary Escrowed Securities during the Voluntary Escrow Period. The Voluntary Escrow Agreements will enable the Voluntary Escrowed Securities to be released early from Voluntary Escrow Restrictions to enable:

- the Shareholder to accept an offer under a takeover bid in relation to its Voluntary Escrowed Securities, or to tender its Voluntary Escrowed Securities into a bid acceptance facility established in connection with a takeover bid, if holders of at least half of the Shares the subject of the bid that are not Escrowed Securities have accepted the takeover bid or tendered (and not withdrawn) their Shares into the bid acceptance facility. Further, if the offer is conditional, the bidder and the Securityholder agree in writing that a holding lock will be re-applied to each Voluntary Escrowed Security that is not unconditionally bought by the bidder under the off-market bid;
- the Voluntary Escrowed Securities to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act which has received all necessary approvals;
- the Shareholder to transfer those Voluntary Escrowed Securities in an off-market transaction to an entity the Securityholder controls, or following the Securityholder's death, or to the Securityholder's spouse or children, provided in each circumstance, the transferee enters into a deed under which it undertakes to be bound by the same Voluntary Escrow Restrictions as the transferor; and
- the Shareholder to comply with an order of a court or regulatory authority of competent jurisdiction compelling any Securityholder to be disposed of or a security interest granted over them, or, to take an action with the prior consent of the Company where the action is necessary to alleviate financial hardship.

If ASIC Relief is not granted, the Company intends to apply Voluntary Escrow Restrictions only to that number of Shares (excluding ASX Escrowed Securities) which will not exceed 19.9% of the issued Share capital of the Company on Admission.

8.20.3 Escrow Restrictions

Subject to the ASX's determination regarding ASX Escrow Restrictions, the grant of ASIC Relief and the consequential Voluntary Escrow Restrictions to be applied, the Company expects that the Securities set out in the table below will be subject to Escrow Restrictions on Admission:

	# ASX ESCROWED SECURITIES ¹	ASX ESCROW PERIOD COMMENCING ON QUOTATION ¹	# VOLUNTARY ESCROWED SECURITIES ²	VOLUNTARY ESCROW PERIOD COMMENCING ON QUOTATION ²
Directors and Founders	18,469,877 Shares	24 months from Quotation	5,087,379 Shares	24 months after Quotation
	500,000 Performance Rights	24 months from Quotation		
Other Holders	4,008,278 Shares	24 months from Quotation	45,578,484 Shares	Until 1 March 2020
	10,038,733 Shares	Until 28 February 2020		
	2,250,000 Performance Rights	Until 4 November 2020	39,176,738 Shares	Until release of FY20 Results
Total	32,516,888 Shares		50,665,863 Shares	
	2,750,000 Performance Rights			

1. Subject to ASX confirmation.

2. Subject to the Company obtaining ASIC Relief. See Section 8.20.2 for further details.

New Shares will not be subject to any ASX Escrow Restrictions.

Please see Section 8.21 below for further details regarding the potential effect of the Escrow Restrictions on the free float of the Company's Securities post-Completion.

8.21 RESTRICTED SECURITIES AND FREE FLOAT

None of the New Shares issued pursuant to the Offer will be subject to any ASX Escrow Restrictions or Voluntary Escrow Restrictions.

Based on the Company's expectations as at the date of this Prospectus regarding the ASX Escrow Restrictions to be imposed and the anticipated Voluntary Escrow Restrictions, it is expected that at least a total of approximately 83,182,751 Shares will be classified as Escrowed Securities. Accordingly, it is anticipated that the proportion of freely tradeable Shares on Quotation will be as follows:

	# SHARES ²	% OF SHARES ON COMPLETION ^{1,2}	# SHARES ³	% OF SHARES ON COMPLETION ^{1,3}
Unrestricted Existing Shares ⁴	8,806,533	7.9%	8,806,533	6.9%
ASX Escrowed Shares on Completion ⁴	32,516,888	29.0%	32,516,888	25.6%
Voluntary Escrowed Shares on Completion ^{4,5}	50,665,863	45.2%	50,665,863	39.9%
Number of New Shares	20,000,000	17.9%	35,000,000	27.6%
Total Unescrowed Shares on Completion ^{4,5}	28,806,533	25.7%	43,806,533	34.5%
Total Escrowed Shares on Completion ^{4,5}	83,182,751	74.3%	83,182,751	65.5%
Total number of Shares on issue on Completion	111,989,284	100.0%	126,989,284	100.0%

	# PERFORMANCE RIGHTS ON COMPLETION	% OF PERFORMANCE RIGHTS ON COMPLETION
Unescrowed Performance Rights on Completion ^{4,6}	960,000	25.9%
ASX Escrowed Performance Rights ^{4,7}	2,750,000	74.1%
Total number of Performance Rights on Completion	3,710,000	100.0%

1. Percentage of total number of Shares on issue, on an undiluted basis.
2. Assuming \$10 million is raised under the Offer.
3. Assuming \$17.5 million is raised under the Offer.
4. Subject to ASX confirmation.
5. Subject to the Company obtaining ASIC Relief.
6. Comprising 960,000 Performance Rights issued under the Employee Incentive Plan.
7. Comprising 2.25 million BW Performance Rights and 500,000 FMI Performance Rights.

The Company will announce full details (quantity and duration) of the Securities to be subject to ASX Escrow Restrictions and Voluntary Escrow Restrictions prior to the Shares commencing trading on ASX.

8.22 FURTHER QUERIES

If you have any questions in relation to the Offer, please call the Founders First Offer Information Line on 1300 069 338 (within Australia) and on 03 9415 4155 (if outside Australia) from 9.00 am to 5.00 pm AEDT Monday to Friday during the Offer Period.

If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

MATERIAL CONTRACTS

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9 MATERIAL CONTRACTS

Unless otherwise stated, the Directors consider that the contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this Prospectus for the purpose of making an informed assessment of an investment in the Company under the Offer (each, a **Material Contract**).

This Section contains a summary of those Material Contracts and their substantive terms which are not otherwise disclosed elsewhere in this Prospectus.

9.1 EXECUTIVE SERVICES AGREEMENT – MARK HAYSMAN

The Company has entered into an executive services agreement which commenced on 19 November 2018 with Mark Haysman to document his employment as Managing Director and CEO of the Company. On and from completion of the capital raise that completed in November 2019, Mark has received an annual fixed remuneration of \$380,000 (excluding superannuation). Mark will also be entitled to an annual short term incentive equal to 20% of the annual fixed remuneration subject to the financial performance of the Company in the relevant financial year and such other key performance indicators as shall be agreed between the Company and Mark from time to time.

The executive services agreement with Mark Haysman also provides that:

- (a) the term of employment commenced on 19 November 2018 and ends on the date the agreement is terminated or such other date as the parties may agree in writing;
- (b) after the IPO, the Company may terminate the agreement by giving 6 months' written notice (or payment in lieu of notice), unless the Company is terminating as a result of serious misconduct by Mark, in which case no notice is required. At the option of the Company, the agreement can be terminated immediately if shareholders remove Mark from the position of director. After the IPO, Mark may also terminate the agreement by giving 6 months' written notice;
- (c) on termination of the agreement by either party, Mark must resign as a director of the Company and any other Group Company;
- (d) the Company will indemnify Mark in his position as Director and procure and pay the premium for D&O insurance under which Mark is insured; and
- (e) Mark is subject to a restraint of trade clause prohibiting him from carrying on a business that is competitive with the business of the Group, soliciting customers, potential customers, employees or previous employees of the Group for a period of 6 months after the agreement is terminated. Mark is also subject to intellectual property and confidentiality obligations which are considered appropriate to protect the interests of the Company.

The Company has entered into a limited-recourse loan agreement with Mark for an amount of \$1,625,000. Under the loan agreement, Mark was loaned this amount to fund the acquisition of 4,062,500 Shares under the Employee Incentive Plan. No interest is charged or payable in respect of the loan. The loan is repayable on the date on which Mark sells, transfers or otherwise deals with the Plan Shares and the Company's recourse for any failure to repay the loan is limited to buying back or selling the Plan Shares.

9.2 EXECUTIVE SERVICES AGREEMENT – STUART MORTON

The Company has entered into an executive services agreement with Stuart Morton to document his employment as an Executive Director. On and from completion of the capital raise that completed in November 2019, Stuart has received an annual fixed remuneration of \$190,000 (excluding superannuation). Stuart will also be entitled to an annual short term incentive equal to 20% of the annual fixed remuneration subject to the financial performance of the Company in the relevant financial year and such other key performance indicators as shall be agreed between the Company and the Executive from time to time. Subject to any Shareholder approvals required under the Listing Rules or Corporations Act, Stuart may also be eligible for an issue of equity in accordance with the terms of the Employee Incentive Plan or other employee share scheme in place from time to time to be determined in the sole discretion of the Board.

The executive services agreement with Stuart Morton also provides that:

- (a) the term of employment commenced on 1 March 2019 and ends on the date the agreement is terminated or such other date as the parties may agree in writing;
- (b) the Company may terminate the agreement by giving 12 weeks' written notice (or payment in lieu of notice), unless the Company is terminating as a result of serious misconduct by Stuart, in which case no notice is required. At the option of the Company, the agreement can be terminated immediately if shareholders remove Stuart from the position of director. Stuart must not terminate the agreement before 22 October 2020. After this date, Stuart may terminate the agreement by giving 6 months' written notice;

9 MATERIAL CONTRACTS

- (c) on termination of the agreement by either party, Stuart must resign as a director of the Company and any other Group Company;
- (d) the Company will indemnify Stuart in his position as Director and procure and pay the premium for D&O insurance under which Stuart is insured; and
- (e) Stuart is subject to a restraint of trade clause prohibiting him from carrying on a business that is competitive with the business of the Group, soliciting customers, potential customers, employees or previous employees of the Group for a period of 6 months after the agreement is terminated. Stuart is also subject to intellectual property and confidentiality obligations which are considered appropriate to protect the interests of the Company.

9.3 EXECUTIVE SERVICES AGREEMENT – DANIEL WALES

Founders First Operations Pty Ltd ACN 630 181 458, a wholly owned subsidiary of the Company, has entered into an executive services agreement with Daniel Wales to document his employment as an Executive Director. Daniel will receive an annual fixed remuneration of \$260,000 (excluding superannuation). Daniel may also be eligible for a discretionary bonus at the end of each financial year to be determined in the sole discretion of the Board having regard to the achievement of key performance indicators. Subject to any applicable Shareholder or regulatory approvals required, Daniel may also be eligible for an issue of equity in accordance with the terms of the Employee Incentive Plan or other employee share scheme in place from time to time to be determined in the sole discretion of the Board.

The executive services agreement with Daniel Wales also provides that:

- (a) the term of employment commenced on 2 September 2019 and ends on the date the agreement is terminated or such other date as the parties may agree in writing;
- (b) the Company may terminate the agreement by giving 12 weeks' written notice (or payment in lieu of notice), unless the Company is terminating as a result of serious misconduct by Daniel, in which case no notice is required. At the option of the Company, the agreement can be terminated immediately if shareholders remove Daniel from the position of director. Daniel must not terminate the agreement before 23 September 2020. After this date, Daniel may terminate the agreement by giving 6 months' written notice;
- (c) on termination of the agreement by either party, Daniel must resign as a director of the Company and any other Group Company;
- (d) the Company will indemnify Daniel in his position as Director and procure and pay the premium for D&O insurance under which Daniel is insured; and
- (e) Daniel is subject to a restraint of trade clause prohibiting him from carrying on a business that is competitive with the business of the Group, soliciting customers, potential customers, employees or previous employees of the Group for a period of 6 months after the agreement is terminated. Daniel is also subject to intellectual property and confidentiality obligations which are considered appropriate to protect the interests of the Company.

9.4 NON-EXECUTIVE DIRECTOR APPOINTMENT LETTERS

The Company has entered into non-executive director appointment letters with each of Robin Levison and John Hood on the following key terms:

- (a) each of Robin and John will receive an annual remuneration of \$40,000 (exclusive of superannuation) from 1 December 2019 for their services as non-executive Director; and
- (b) Robin will be entitled to receive an additional \$40,000 per annum (exclusive of superannuation) from 1 December 2019 as remuneration for his services as Chair.

9.5 LEAD MANAGER MANDATE

The Company has entered into a lead manager mandate (**Lead Manager Mandate**) with Bell Potter, pursuant to which Bell Potter has agreed to arrange and manage the Offer as the sole and exclusive lead manager and bookrunner. The material terms and conditions of the Lead Manager Mandate are as follows:

- (a) the Company must pay Bell Potter out of the proceeds of the Offer in immediately available funds:
 - (i) a management fee equal to 3% of all funds raised under the Offer; and
 - (ii) a selling fee equal to 2% of the General Proceeds plus 1% of the Company Proceeds, payable on Completion of the Offer;
- (b) either party may terminate this agreement with or without cause at any time in connection with the Offer;

- (c) the Company has agreed that where the Company terminates the Lead Manager Mandate other than for Bell Potter's fraud, wilful misconduct, negligence or material breach of the Lead Manager Mandate and the Company subsequently completes the Offer or a similar equity capital raising within 12 months from the date of termination and raises funds from investors that were introduced to the Company by Bell Potter, the Company must pay Bell Potter an amount equal to the management fee and selling fee within 7 days of receiving the funds;
- (d) the Lead Manager Mandate contains certain standard representations, warranties and undertakings provided by the Company to Bell Potter, including but not limited to, matters such as the powers and authorisations of the Company in respect of the Offer, the conduct of the Offer, the solvency of the Company and the Group and compliance with the Corporations Act, the Listing Rules and all other applicable laws; and
- (e) subject to certain exclusions relating to, among other things, where the liability results directly and solely from the fraud, gross negligence or wilful misconduct of Bell Potter or its Related Bodies Corporate, the Company agrees to indemnify and hold harmless each of Bell Potter and its Related Bodies Corporate and their respective directors, officers, partners, employees, agents and advisers indemnified from and against all liabilities incurred directly or in directly in connection with the Offer.

9.6 AGREEMENTS REGARDING SAUCECO

The Company, through its wholly owned subsidiary, Founders First SauceCo Pty Ltd ACN 636 010 216 (**FF SauceCo**), holds 15% of the shares (**SauceCo Shares**) in SauceCo Pty Ltd ACN 609 051 952 (**SauceCo**). The business of SauceCo is described at Section 3.5.6 of the Prospectus. FF SauceCo acquired the SauceCo Shares in two tranches pursuant to a subscription agreement dated 18 September 2019. FF SauceCo paid \$1,050,002.45 (**SauceCo Consideration**) to SauceCo in consideration for the SauceCo Shares (**SauceCo Deal**). There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company. This contract is disclosed for the purposes of the Listing Rules. The Directors do not consider this contract to be a Material Contract.

Sauce FNQLD joint venture

Separately, Michael Clarke (the other Shareholder in SauceCo) and FF SauceCo incorporated SauceCo (FNQLD) Pty Ltd ACN 635 247 906, the shares in which are owned by each party in equal proportions (**SauceCo JV**).

The SauceCo JV will be governed by the Venue Partnering Agreement, the terms of which are set out at section 9.17 of the Prospectus, except as varied by the Brand Venue Entity Term Sheet between FF SauceCo and Michael Clarke dated 21 October 2019 (**SauceCo JV BVETS**).

Each of Michael Clarke and FF SauceCo have agreed to commit \$300,000 respectively toward the costs of acquiring and fitting out the leasehold, brand development and working capital for the SauceCo JV. The SauceCo JV also intends to obtain \$300,000 of debt financing, the proceeds of which will be applied to the same purposes.

The SauceCo JV has entered into an agreement for lease for a premises in the Palm Court Shopping Centre located at 34 Lake Street in Cairns, Queensland (**Cairns Venue**), at which the SauceCo JV will jointly develop and operate a brewpub venue. The lease will commence on 1 April 2020 and expire on 31 March 2023. Pursuant to the lease, SauceCo JV has 2 option terms of 5 years each. The Company has guaranteed the performance of the obligations of SauceCo JV under the lease.

Terms of the SauceCo JV BVETS

The SauceCo JV BVETS amends and supplements the terms of the SauceCo JV Venue Partnering Agreement as follows:

- (a) each of Michael Clarke and FF SauceCo may appoint one director to the Board of the SauceCo JV;
- (b) an employee of FF Operations will be appointed to lead operational management of the SauceCo JV;
- (c) dividends will be paid to the shareholders of the SauceCo JV according to their percentage shareholding in SauceCo JV; and
- (d) the competitive restraint imposed on the parties by the Venue Partnering Agreement is amended with the effect that each of Michael Clarke, SauceCo and FF SauceCo and their affiliates are restrained from being engaged in a competitive business within 20km of the Cairns Venue during the term of the SauceCo JV and for 12 months after they cease to hold securities in the SauceCo JV (in the case of FF SauceCo and Michael Clarke).

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9.7 AGREEMENTS REGARDING BALLISTIC

The Company through its wholly owned subsidiary, Founders First Ballistic Pty Ltd ACN 635 663 008 (**FF Ballistic**), entered into a subscription agreement (**Ballistic Subscription Agreement**) with Ballistic Beer Company Pty Ltd ACN 606 759 022 (**Ballistic**) on or around 28 October 2019 pursuant to which FF Ballistic has agreed to acquire 10% of the fully paid ordinary shares in Ballistic in consideration for a cash payment of \$1,588,000 (**Ballistic Consideration**) to Ballistic (**Ballistic Deal**). Ballistic carries on the business described in Section 3.5.4 of the Prospectus.

The Ballistic Deal is structured as follows:

- (a) \$250,000 was paid to Ballistic and FF Ballistic received 25,491 fully paid ordinary shares in Ballistic with effect from 28 October 2019 (**First Tranche**);
- (b) \$500,000 is to be paid to Ballistic and FF Ballistic is to receive 50,981 fully paid ordinary shares in Ballistic on the date that is 3 months after completion of the First Tranche (**Second Tranche**); and
- (c) \$838,000 is to be paid to Ballistic and FF Ballistic is to receive 85,445 fully paid ordinary shares in Ballistic on the date that is 3 months after completion of the Second Tranche (**Third Tranche**).

Completion of the Second Tranche is conditional on completion of the First Tranche, and Completion of the Third Tranche is conditional on completion of the Second Tranche.

Pursuant to the Ballistic Subscription Agreement, the Company guarantees to Ballistic that FF Ballistic will perform its obligations under the Ballistic Subscription Agreement punctually and that the Company will pay all of its liabilities under the Ballistic Subscription Agreement. The Company indemnifies Ballistic for any loss suffered or incurred by Ballistic arising out of or in connection with any failure of FF Ballistic to perform any of its obligations or pay any liability on a due date under the Ballistic Subscription Agreement.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Deed of Undertaking

Ballistic, its shareholders and FF Ballistic have entered into a deed of undertaking pursuant to which FF Ballistic will effectively have voting rights, pre-emptive rights and rights in connection with the issue, disposal and transfer of shares as if it holds 10% of the shares in Ballistic from the completion date of the First Tranche until the completion date of the Third Tranche (**Subscription Period**) notwithstanding that FF Ballistic will hold less than 10% of the issued shares in Ballistic during the Subscription Period. Ballistic and its shareholders undertake that, during the Subscription Period, Ballistic will not issue any securities without the prior written consent of FF Ballistic.

Future Ballistic-FF Ballistic Joint Venture

Ballistic and FF Ballistic have entered into a Venue Partnering Agreement on the general terms set out at section 9.17 of the Prospectus. In addition to the general terms, FF Ballistic will, for so long as it holds shares in Ballistic, have a right of first refusal (**Ballistic RoFR**) to develop, acquire, establish and/or operate any future 'Ballistic' branded venues in Australia (except Queensland and the other circumstances listed below) in conjunction with Ballistic and FF Operations. The Ballistic RoFR does not apply to the following premises:

- (a) any new venue to be established:
 - i. during the first year of the term of the Venue Partnering Agreement, which requires or it is estimated to require an aggregate investment of less than \$1,500,000 (**Investment Threshold**); and
 - ii. in the second and each subsequent year of the term (and any further term) of the Venue Partnering Agreement which requires less than the amount derived by multiplying the Investment Threshold in the immediately preceding year by 1.03; and
- (b) any other venue agreed by the parties as being an excluded venue.

Ballistic Shareholder Agreement

Further to the general summary of the terms of the shareholder agreement between Ballistic, its shareholders and FF Ballistic dated 28 October 2019 (**Ballistic Shareholder Agreement**) set out in section 9.17, the Ballistic Shareholder Agreement also contains the following terms:

- (a) FF Ballistic may, for so long as it holds shares in Ballistic, appoint an observer to the Ballistic board of directors;
- (b) FF Ballistic is exempted from the operation of the competitive restraints imposed on shareholders by the Ballistic Shareholder Agreement; and
- (c) Ballistic's dividend policy will be determined at least annually by a unanimous vote of its shareholders, however, it is intended that no dividend will be paid within 5 years from the date of the Ballistic Shareholder Agreement.

9.8 AGREEMENTS REGARDING SLIPSTREAM

The Company through its wholly owned subsidiary, Founders First Slipstream Pty Ltd ACN 636 550 340 (**FF Slipstream**), entered into a subscription agreement (**Slipstream Subscription Agreement**) on 28 October 2019 with Slipstream Brewing Company Pty Ltd ACN 614 701 558 (**Slipstream**) pursuant to which FF Slipstream has agreed to acquire 45% of the fully paid ordinary shares in Slipstream in consideration for a cash payment of \$1,500,000 (**Slipstream Consideration**) to Slipstream (**Slipstream Deal**). Slipstream owns and operates the business described at Section 3.5.5 of the Prospectus.

Under the Slipstream Deal, on 12 November 2019 FF Slipstream paid \$500,001.22 to Slipstream in consideration for the issue of 272,728 fully paid ordinary shares in Slipstream (**First Tranche**). The balance of the consideration will be paid, and the ordinary shares will be issued, as follows:

- (a) on the earlier of 29 April 2020 and the date that is 2 business days after the date on which FF Slipstream notifies Slipstream that it believes that it can source either or both debt and equity financing on acceptable terms, FF Slipstream is to pay \$499,999.39 in consideration for the issue of 272,727 fully paid ordinary shares (**Second Tranche**); and
- (b) on the earlier of 31 October 2020 and the date that is 2 business days after the date on which FF Slipstream notifies Slipstream that it believes that it can source either or both debt and equity financing on acceptable terms, FF Slipstream is to pay \$499,999.39 in consideration for the issue of 272,727 fully paid ordinary shares (**Third Tranche**).

From completion of the First Tranche until completion of the Third Tranche, Slipstream must not issue or agree to issue any securities without the prior written consent of FF Slipstream.

Pursuant to the terms of Slipstream Deal:

- (a) Slipstream entered into an employment agreement with Deale Stanley-Hunt for a term of at least 3 years on 24 October 2019 and which commenced with effect on and from 1 November 2019; and
- (b) Slipstream entered into IP assignment deeds with key personnel and a key shareholder pursuant to which those parties have assigned all existing and future intellectual property relating to Slipstream to Slipstream.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Option Deed regarding acquisition of 6% of issued share capital

On 28 October 2019, FF Slipstream and Deale Stanley-Hunt and Elisa Karen Stanley-Hunt as joint trustees for the Stanley Hunt Family Trust (the **Slipstream Founder Entity**) entered into an option deed (**Option Deed**) pursuant to which the Slipstream Founder Entity granted to FF Slipstream a call option to purchase 109,091 fully paid ordinary shares in Slipstream (representing 6% of the issued capital as at the date of the Option Deed) from the Slipstream Founder Entity. Pursuant to the Option Deed, FF Slipstream may exercise the option for an aggregate amount of \$360,000 from the period commencing on the date that is 18 months following the date of the Option Deed to the date that is 36 months following the date of the Option Deed.

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Side Letter

Slipstream, its shareholders and FF Slipstream have entered into a side letter pursuant to which FF Slipstream will effectively have voting rights, pre-emptive rights, and other rights relating to the issue, disposal and transfer of shares as if it holds 45% of the shares in Slipstream from the completion date of the First Tranche until 31 October 2020 or such other time as agreed by the parties (**Slipstream Subscription Period**) notwithstanding that FF Slipstream will hold less than 45% of the issued shares in Slipstream during the Slipstream Subscription Period. Slipstream and its shareholders undertake that, during the Slipstream Subscription Period, Slipstream will not issue any securities without the prior written consent of FF Slipstream.

Slipstream Shareholder Deed

Pursuant to the Slipstream Deal, Slipstream, its shareholders and FF Slipstream, have entered into a shareholder deed (**Slipstream Shareholder Deed**). The general terms of the Slipstream Shareholder Deed are set out at section 9.17 of the Prospectus. Further to the general terms, the Slipstream Shareholder Deed contains a competitive restraint which prevents each Shareholder in Slipstream and their affiliates, including FF Slipstream and the Company, from engaging in activities similar to those undertaken by Slipstream within a 2 kilometre radius of the Slipstream Premises for so long as FF Slipstream is a shareholder and for 6 months following the date on which FF Slipstream ceases to hold shares in Slipstream.

9.9 AGREEMENTS REGARDING SPARKKE

The Company, through its wholly owned subsidiary, Founders First Sparkke Pty Ltd ACN 635 023 862 (**FF Sparkke**) entered into two convertible note subscription deeds (**Sparkke Convertible Note Subscription Deeds**) on 4 November 2019 with Sparkke pursuant to which FF Sparkke has agreed to subscribe for 80,000,000 convertible notes in Sparkke which may, subject to certain conditions, be converted into a 42% interest in Sparkke (on a fully diluted basis). Sparkke is in the process of effecting a corporate restructure by acquiring all of the issued shares in each of The Sparkke Change Beverage Company Pty Ltd ACN 615 975 418 (**SCBC**), Sparkke Pubs Pty Ltd ACN 626 802 177 (**Sparkke Pubs**) and The Sparkke-ling Wine Co Pty Ltd ACN 618 847 859 (together, **Sparkke Group**) (**Sparkke Deal**). The Sparkke Group conducts the business described in section 3.5.7 of the Prospectus.

The Sparkke Deal is structured as follows:

- (a) subject to the Sparkke Group being restructured as contemplated under the first paragraph of Section 9.9 (**Sparkke Restructure**), FF Sparkke has agreed to subscribe for 40 million convertible notes in Sparkke with a total aggregate face value of \$2,000,000 (**A Notes**) on the following terms:
 - i. FF Sparkke will subscribe for the A Notes on the earlier of:
 - A. the date being no later than 5 Business Days following Completion of the Offer; or
 - B. 31 March 2020; or
 - C. such earlier date as may be agreed between FF Sparkke and Sparkke;
 - ii. each A Note:
 - A. will, upon a change in control event, at FF Sparkke's election either:
 - convert into shares in Sparkke at a conversion price of \$0.05 per share; or
 - be repaid to FF Sparkke within 2 business days following the change in control event;
 - B. may be converted at FF Sparkke's election at a conversion price of \$0.05 per share; or
 - C. if outstanding at the maturity date, being 30 September 2021, may be repaid or convert at a conversion price of \$0.04 per share at Sparkke's election.
 - iii. Sparkke must first apply the proceeds from the A Notes toward repaying the outstanding balance of the First Sparkke Loan and Second Sparkke Loan (both defined below) with the balance applied to working capital; and
- (b) subject to the issue of the A Notes and Sparkke signing a purchase contract for a second Sparkke venue (**Second Venue**) at a site and on such terms as are approved by FF Sparkke (at its discretion), FF Sparkke has agreed to subscribe for an additional 40 million convertible notes in Sparkke with a total aggregate face value of \$2,000,000 (**B Notes**) on the following terms:
 - i. FF Sparkke will subscribe for the B Notes on the earlier of:
 - A. the date being no later than 5 Business Days following Completion of the Offer; or
 - B. 31 March 2020; or
 - C. such other date as may be agreed between FF Sparkke and Sparkke; and

- ii. each B Note:
 - A. will, upon a change in control event, at FF Sparkke's election either:
 - convert into shares in Sparkke at a conversion price of \$0.05 per share; or
 - be repaid to FF Sparkke within 2 business days following the change in control event;
 - B. may be converted at the conversion price of \$0.05 per share at any time upon FF Sparkke's election;
- iii. if any B Notes remain outstanding on the maturity date, 30 September 2021, Sparkke must repay any such outstanding B Note in cash by 30 June 2022; and
- iv. Sparkke must first apply the proceeds from the B Notes toward the costs of acquiring the Second Venue and, second, toward repaying any outstanding balance of the First Sparkke Loan and Second Sparkke Loan (defined below) with the balance to be applied toward Sparkke working capital.

Either party to the Sparkke Convertible Note Subscription Deeds may terminate the applicable Sparkke Convertible Note Subscription Deed if the conditions are not satisfied or waived, in the case of the A Notes, by 5.00pm on 31 December 2019, and, in the case of the B Notes, by 5.00pm on 31 December 2020.

If the Sparkke Restructure is not completed by 31 December 2019, each of Sparkke, FF Sparkke and SCBC have agreed to novate the rights and obligations of Sparkke under the Sparkke Convertible Note Subscription Deeds to SCBC such that the obligations of Sparkke under the Sparkke Convertible Note Subscription Deeds will be adopted by SCBC *mutatis mutandis*.

Subscription for the A Notes and B Notes is expected to occur on or shortly after IPO.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Sparkke Shareholder Deed

Sparkke and its shareholders are in the process of executing a shareholder deed (**Sparkke Shareholder Deed**) as contemplated pursuant to the Sparkke Deal. Sparkke may not issue any securities unless and until all of the A Notes and B Notes have converted or been repaid in full without first obtaining the prior written consent of FF Sparkke. Pursuant to the terms of the Sparkke Shareholder Deed:

- (a) FF Sparkke may appoint:
 - i. two directors to the board of directors of Sparkke on and from the date of the Sparkke Shareholders Deed and until all A Notes and B Notes have converted or been repaid in full (**Sparkke CNSD Term**) or for so long as FF Sparkke holds 20% or more of the Securities in the capital of Sparkke (on a fully diluted basis); and
 - ii. up to one director to the board of directors of Sparkke for so long as FF Sparkke holds less than 20% of the securities in Sparkke (on a fully diluted basis);
- (b) during the Sparkke CNSD Term, FF Sparkke may attend general meetings of Sparkke; and
- (c) during the Sparkke CNSD Term, FF Sparkke will receive a copy of all documents and information received by shareholders of Sparkke.

Loan Agreements

The Company entered into a loan agreement with Sparkke Pubs (**First Sparkke Loan**) pursuant to which the Company loaned \$500,000 to Sparkke Pubs (**Sparkke Loan Amount**). The Sparkke Loan Amount is secured over the property of Sparkke Pubs and is made on an interest-free basis. The Sparkke Loan Amount must be repaid on the earlier of: (i) the date on which the Company advances moneys to Sparkke in consideration for the issue of convertible notes, (ii) if Sparkke or any of its Subsidiaries fails to obtain the approval needed to effect a group restructure, then by 9 February 2020, (iii) on or before 8 August 2020, and (iv) if an event of default occurs, the Company may elect to make the outstanding balance of the Sparkke Loan Amount repayable by Sparkke Pubs. Sparkke Pubs may also elect to repay the outstanding balance of the Sparkke Loan Amount early.

9 MATERIAL CONTRACTS

On 30 September 2019, the Company entered into a loan agreement (**Second Sparkke Loan**) with Sparkke Pubs pursuant to which the Company loaned an amount of \$1,375,000 to Sparkke Pubs (**Second Sparkke Loan Amount**), which will be advanced to Sparkke Pubs in six tranches. The Second Sparkke Loan Amount is secured over the property of Sparkke Pubs. Under the Second Sparkke Loan, Sparkke Pubs enjoys an interest-free period of 6 months from the commencement date of the Second Sparkke Loan. After the interest free period, interest accrues on the outstanding balance under the Second Sparkke Loan at the F5 – Small Business Fixed rate, as published by the Reserve Bank of Australia from time to time, plus 1.5%. Sparkke Pubs must pay interest on the 15th day of each quarter under the Second Sparkke Loan. The second Sparkke Loan must be repaid, at latest, on 31 August 2022.

9.10 MOONEE PONDS VENUE

Sale of Business Contract regarding acquisition of Moonee Ponds assets

The Company through its wholly owned subsidiary, Founders First Moonee Ponds Pty Ltd ACN 636 695 451 (**FF Moonee Ponds**), entered into a sale of business contract (**Sale of Moonee Ponds Business Contract**) with Sporting Globe Moonee Ponds Pty Ltd ACN 151 827 575 (**TSG**) on 25 October 2019 pursuant to which FF Moonee Ponds will acquire some of the assets owned by TSG in connection with the pub and sports bar business known as 'The Sporting Globe Bar and Grill' (**Moonee Ponds Business**) operated at 690-694 Mt Alexander Road, Moonee Ponds, Victoria (**Moonee Ponds Premises**) (**Moonee Ponds Deal**).

Under the Moonee Ponds Deal:

- (a) it is a condition that FF Moonee Ponds will receive an assignment of the leasehold for the Moonee Ponds Premises together with an extension for a 15-year term commencing on the date of completion of the Sale of Moonee Ponds Business Contract (**Moonee Ponds Lease**);
- (b) the liquor licences held by TSG in relation to the Moonee Ponds Premises and select assets located in the Moonee Ponds Premises (**Moonee Ponds Assets**) will be transferred to FF Moonee Ponds; and
- (c) FF Moonee Ponds will not acquire the Moonee Ponds business name or any goodwill of the Business.

In consideration for the Moonee Ponds Deal, FF Moonee Ponds has agreed to pay TSG \$1,000,000 (plus GST), of which \$25,000 has been paid as a deposit.

The Moonee Ponds Deal is conditional on:

- (a) FF Moonee Ponds obtaining the consent of Victorian Commission for Gambling and Liquor Regulation to the transfer of the relevant liquor licence; and
- (b) TSG obtaining releases of all security interests over the Moonee Ponds Business and Moonee Ponds Assets; and
- (c) FF Moonee Ponds obtaining the consent of the landlord of the Moonee Ponds Premises to the assignment and extension to the Moonee Ponds Lease referred to above.

FF Moonee Ponds covenants under the Sale of Moonee Ponds Business Contract not to operate a sports themed business at the Moonee Ponds Premises.

Completion of the Moonee Ponds Deal is scheduled to occur on 31 January 2020, subject to the satisfaction of the conditions outlined above.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

9.11 AGREEMENTS REGARDING BROGAN'S WAY

Share Purchase Agreement regarding an interest in Brogan's Way

The Company entered into a share purchase agreement (**Brogan's Way Purchase Agreement**) with Poison Creek Distilling Pty Ltd ACN 609 724 932 (**Brogan's Way**), a company conducting the business described in Section 3.5.8, DM & KJ Wilson Family Investments Pty Ltd ACN 609 051 087 ATF Wilson Investments Unit Trust (**WFI**), a shareholder of Brogan's Way, and Founders First Brogan's Way Pty Ltd ACN 636 694 847 (**FF Brogan's Way**), the Company's wholly owned subsidiary, on 28 October 2019. Pursuant to the Brogan's Way Purchase Agreement, the Company issued 2.25 million Performance Rights in the Company (**BW Performance Rights**) to WFI in consideration for WFI transferring to FF Brogan's Way 45% of the fully diluted capital in Brogan's Way (**Brogan's Shares**) on 4 November 2019 (**Brogan's Way Deal**).

The Brogan's Way Deal is structured as follows:

- (a) the Company issued the BW Performance Rights to WFI on the terms summarised in Section 10.10;
- (b) on completion, FF Brogan's Way received the Brogan's Shares from WFI in consideration for the issue of the BW Performance Rights;
- (c) if FF Operations does not sell at least 25,000 bottles of Brogan's Way's product (**Performance Target**) within the period commencing from 1 December 2019 to 31 December 2020 (**Performance Target Date**), WFI may exercise a "walk back" right pursuant to which it may purchase the Brogan's Shares from FF Brogan's Way for no consideration; and
- (d) Simon Carr entered into a convertible loan agreement (**Carr Loan Agreement**) to record the terms of repayment of a loan for \$350,000 (**Carr Loan**) which he had previously advanced to Brogan's Way. Under the terms of the Carr Loan Agreement:
 - (i) the Carr Loan will be interest-free;
 - (ii) while the Carr Loan remains outstanding, Brogan's Way must not pay a dividend to Shareholders;
 - (iii) in the event of a future equity funding round in Brogan's Way, if any part of the Carr Loan remains outstanding, Simon Carr may elect to convert the outstanding loan balance into equity in Brogan's Way at the same price per share payable under such future equity funding round, provided that such conversion does not dilute FF Brogan's Way's fully diluted shareholding below 45%.

The BW Performance Rights were issued on the terms set out at Section 10.10 of the Prospectus.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Brogan's Way Shareholder Agreement

FF Brogan's Way acceded to an amended shareholders agreement between Brogan's Way and its shareholders (**Brogan's Way Shareholders Agreement**) on 4 November 2019. The key terms of the Brogan's Way Shareholders Agreement are as follows:

- (a) FF Brogan's Way may appoint up to 2 directors for so long as FF Brogan's Way holds at least 30% of the shares on issue in Brogan's Way. If FF Brogan's Way holds between 5 – 30% of the shares on issue in Brogan's Way, it may appoint 1 director. If FF Brogan's Way holds less than 5% of the shares on issue in Brogan's Way, its right to appoint a director ceases;
- (b) certain decisions require a special resolution of the shareholders of Brogan's Way, including the issue of shares and selling or acquiring assets valued at greater than \$50,000. A special resolution means the unanimous vote of all shareholders for so long as Brogan Carr is an employee of Brogan's Way. If Brogan Carr ceases to be employed, a special resolution of shareholders means a resolution passed by shareholders who hold 70% or more of the total number of shares on issue in Brogan's Way;
- (c) certain decisions require a special resolution of the directors of Brogan's Way, including loans made by shareholders to Brogan's Way. A special resolution of directors means a resolution passed by at least 70% of the directors;
- (d) Brogan's Way must not issue new shares without approval by way of a special resolution of shareholders. A shareholder must not sell or transfer its shares except with the written approval of all shareholders except if the transfer is to a party as permitted under the Brogan's Way Shareholders Agreement. A transfer to the Company is permitted under the Brogan's Way Shareholders Agreement and does not require the approval of shareholders;
- (e) the Brogan's Way Shareholders Agreement will terminate by mutual agreement by all shareholders or when Brogan's Way is wound up;
- (f) unless otherwise determined by a special majority of shareholders and subject to the financial performance of Brogan's Way, the board of Brogan's Way will implement a policy of distributing to shareholders at least 35% of distributable profits of Brogan's Way; and
- (g) FF Brogan's Way is exempted from the operation of the competitive restraints imposed on shareholders by the Brogan's Way Shareholders Agreement.

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9.12 FOGHORN

Sale of Business Contract regarding acquisition of Foghorn Brewery assets

On 22 January 2019, the Company incorporated Foghorn Brewery Pty Ltd ACN 631 135 414 (**Foghorn**), an entity in which the Company, through its wholly owned subsidiary, Founders First Foghorn Brewery Pty Ltd ACN 631 134 293 (**FF Foghorn**), holds 75% of the shares. The business of Foghorn is described at Section 3.5.3 of the Prospectus. On 24 January 2019, Foghorn entered into a sale of business contract (**Sale of Business Contract**) pursuant to which it purchased the assets of Foghorn Brewhouse Pty Limited ACN 601 578 661 (**Vendor**) in connection with the brewery business known as "Foghorn Brewhouse" (**Foghorn Business**) for cash consideration of \$1,500,000 (**Foghorn Acquisition**). Pursuant to the Foghorn Acquisition, Foghorn negotiated a variation to and was assigned the lease for the premises of the Foghorn Business located in Newcastle, New South Wales.

In connection with the Foghorn Acquisition, the Company loaned \$105,000 to Rokarellie Pty Limited ACN 601 671 470 as trustee for Sherlock Family Trust (**Rokarellie**), the shareholding entity of the head brewer of Foghorn, Shawn Sherlock, for the acquisition of 105,000 ordinary shares in Foghorn (**Sherlock Loan**). The Sherlock Loan was made on an interest-free and limited recourse basis.

Pursuant to the Foghorn Acquisition, Rokarellie paid \$145,000 to Foghorn as cash consideration for the issue of 145,000 ordinary shares in Foghorn. Rokarellie holds a total of 250,000 ordinary shares in Foghorn.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Lease of Newcastle premises by Foghorn

Foghorn has entered into a commercial lease (**Foghorn Lease**) for the premises at 218 King Street in Newcastle, New South Wales out of which Foghorn operates its brewpub and restaurant. The current term of the Foghorn lease expires on 28 February 2026. Foghorn has the option to renew the Foghorn Lease for a further term of seven years. Pursuant to the terms of the Foghorn Lease, Foghorn is liable to pay rent of approximately \$200,000 per annum plus GST, with fixed annual increases of 3% during the term.

The Foghorn Lease includes standard commercial lease terms, including indemnities and termination rights which are customary for an agreement of this type. The Foghorn Lease allows the landlord to terminate the lease in the event of any breach of the lease by Foghorn. Foghorn has indemnified the landlord from any liability arising from any act, omission or negligence of Foghorn or any breach by Foghorn of the Foghorn Lease. The Company has guaranteed the performance of Foghorn's obligations under the Foghorn Lease.

Loan from the Company to Foghorn

The Company has entered into a loan agreement with Foghorn pursuant to which the Company has loaned an amount of \$750,000 to Foghorn (**Foghorn Loan Amount**). The Foghorn Loan Amount is secured over the property of Foghorn and simple interest accrues at a rate of 5% per annum. The Foghorn Loan Amount must be repaid on the earlier of 30 April 2020, the occurrence of an event of default in respect of Foghorn or an earlier date that Foghorn elects.

9.13 AGREEMENTS REGARDING JETTY ROAD

Subscription Agreements regarding investments in Jetty Road

On 6 December 2017 the Company was issued 25% of the total issued capital in Jetty Road in consideration for \$250,000.

On 27 July 2018 the Company was issued additional shares in Jetty Road in consideration for \$500,000, increasing its interest to 50% of the total issued capital in Jetty Road. On or around the date of this investment, Jetty Road and its ordinary shareholders adopted a new constitution and new shareholders agreement.

The Company, through its wholly owned subsidiary, Founders First Jetty Road Pty Ltd ACN 630 181 298 (**FF Jetty Road**), entered into a subscription agreement with Jetty Road on 28 January 2019 pursuant to which FF Jetty Road acquired 1,500,000 ordinary shares in Jetty Road in consideration for \$750,000.

In June of 2019, Jetty Road undertook a pro rata rights issue pursuant to which FF Jetty Road and Jetty Road entered into a subscription agreement on 28 June 2019 pursuant to which FF Jetty Road was issued 1,234,360 ordinary shares in Jetty Road in consideration for a cash payment of \$493,744.

All shares in Jetty Road which were issued to the Company were transferred to FF Jetty Road.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

These contracts are disclosed for the purposes of the Listing Rules. The Directors do not consider these contracts to be Material Contracts.

Lease of Dromana premises by Jetty Road

Jetty Road has entered into a commercial lease (**Dromana Lease**) for the premises at 12-14 Brasser Avenue in Dromana, Victoria out of which Jetty Road operates a pub and restaurant. The Company is the landlord under this lease. The Dromana Lease expires on 30 October 2021. Jetty Road has the option to renew the Dromana Lease for a further term of five years. Jetty Road is liable to pay rent of approximately \$73,920 per annum plus GST, with fixed increases of 4% in May each year during the term and a market review in May 2021.

The Dromana Lease includes standard commercial lease terms, including indemnities and termination rights which are customary for an agreement of this type. The Dromana Lease allows the Company to terminate the lease in the event of any breach of the lease. Jetty Road has indemnified the Company from any liability for any damage or injury to the premises or Jetty Road, or Jetty Road's property or the property of Jetty Road's employees, contractors, agents, licensees or invitees, to the extent that such damage is not attributable to the negligence of the Company. Each of Grant Rodgers, Blake Bowden, Simon Weir and Nick O'Brien have guaranteed the performance of Jetty Road's obligations under the Dromana Lease.

South Melbourne lease

Jetty Road has entered into a commercial lease (**South Melbourne Lease**) for the premises at 139-145 Market Street in South Melbourne, Victoria out of which Jetty Road intends to operate a brewery and associated restaurant (**JR South Melbourne Venue**). The South Melbourne Lease expires on 4 October 2023. Jetty Road has the option to renew the South Melbourne Lease for a further term of five years. Pursuant to the terms of the South Melbourne Lease, Jetty Road is liable to pay rent of approximately \$193,308 per annum plus GST, with fixed increases of 5% in October of each year during the term.

The South Melbourne Lease includes standard commercial lease terms, including indemnities and termination rights which are customary for an agreement of its type. The South Melbourne Lease allows the landlord to terminate the lease in the event of any breach of the lease. Jetty Road has indemnified the landlord from any liability arising from or incurred for any act or failure to act by Jetty Road or its agents while using the Premises.

Venue Partnering Agreement

FF Operations, FF Jetty Road and Jetty Road are currently negotiating a Venue Partnering Agreement (**JR Venue Partnering Agreement**) pursuant to which the parties will own and operate the JR South Melbourne Venue. It is expected that the general terms of the JR Venue Partnering Agreement will be on the terms as set out at Section 9.17 of the Prospectus, except to the extent set out below.

Under the JR Venue Partnering Agreement it is expected that:

- (a) Jetty Road will own all of the ordinary shares in the new entity, JR South Melbourne Pty Ltd ACN 635 409 424 (**JR South Melbourne**), while FF Jetty Road will own an equal number of L class shares in JR South Melbourne. Holders of L class shares have no voting rights but do have the right to participate in the dividends (if any) declared on the L class shares and a right to participate in distributions of surplus assets upon winding up of JR South Melbourne Pty Ltd;
- (b) Jetty Road and FF Jetty Road will each contribute \$1,000,000 in equity funding to JR South Melbourne, and FF Jetty Road will provide or procure \$1,000,000 in debt funding for JR South Melbourne;
- (c) the directors of JR South Melbourne will be Stuart Morton, Grant Rodgers, Daniel Wales and Shayne Bland;
- (d) an employee of FF Operations will lead the venue operational oversight and management of the JR South Melbourne Venue;
- (e) distributions will be paid equally to the holders of ordinary shares and L class shares in JR South Melbourne; and
- (f) the JR Venue Partnering Agreement is subject to, and conditional on, Jetty Road obtaining the consent of the landlord to the assignment of the South Melbourne Lease to JR South Melbourne.

9 MATERIAL CONTRACTS

Loan from the Company to Jetty Road

The Company has entered into three loan agreements with Jetty Road pursuant to which the Company has loaned an aggregate amount of \$1,000,000 to Jetty Road (**Jetty Road Loan Amount**). The Jetty Road Loan Amount is secured over the property of Jetty Road and simple interest accrues at a rate of 6% per annum. The Jetty Road Loan Amount must be repaid on the earlier of the occurrence of an event of default in respect of Jetty Road, an earlier date that Jetty Road elects or the repayment date specified in the relevant agreement, all of which fall between June and August 2020.

Distribution agreement 1

Jetty Road has entered into a distribution agreement with a major national liquor retailer (**Retailer 1**) pursuant to which Retailer 1 may submit purchase orders to Jetty Road and Jetty Road must provide its packaged beer products to Retailer 1 for distribution in accordance with the delivery timeframe specified in the relevant purchase order. There is no obligation on Retailer 1 to submit a certain number of purchase orders or to continue submitting purchase orders for a minimum term. The term of the agreement ends on 31 June 2020 and will continue until reviewed by the parties.

Under the agreement, Jetty Road indemnifies Retailer 1 against all loss suffered, incurred or paid by Retailer 1 arising in connection with any breach of the agreement by Jetty Road, any recall or withdrawal of Jetty Road products, any infringement of the intellectual property rights of any person or the use of Jetty Road products by Retailer 1 or Retailer 1 customers, other than to the extent that the loss is directly attributable to the negligence or wrongful act or omission of Retailer 1. Jetty Road has given warranties under the agreement, including in relation to the conduct of Jetty Road, power and authorisations, that the Jetty Road products are fit for retail sale and that Jetty Road will comply with all legal requirements relating to its products.

Distribution agreement 2

Jetty Road has entered into a distribution agreement with a second major national liquor retailer (**Retailer 2**) pursuant to which Retailer 2 submits purchase orders to Jetty Road and Jetty Road must provide its packaged beer products to Retailer 2 for distribution in accordance with the delivery timeframe specified in the relevant purchase order. There is no obligation on Retailer 2 to submit a certain number of purchase orders or to continue submitting purchase orders for a minimum term. Retailer 2 can terminate the agreement or any purchase order in the event of any breach by Jetty Road of the agreement or a change in control occurs in respect of Jetty Road.

Under the agreement, Jetty Road indemnifies Retailer 2 against all loss, damage or liability suffered or incurred by Retailer 2 in connection with any breach of the agreement by Jetty Road, personal injury and any property damage and any infringement of the intellectual property rights of Retailer 2 or a third party or a breach of confidentiality or privacy by Jetty Road, other than to the extent that the loss is caused by Retailer 2's own negligence. Additionally, in the event that Jetty Road's products are withdrawn or recalled from sale for any reason, Jetty Road indemnifies Retailer 2 for all costs incurred by Retailer 2 in acquiring, holding, withdrawing and returning or destroying the Jetty Road products, other than those costs caused by Retailer 2's own negligence. Jetty Road has given warranties under the agreement, including in relation to the conduct of Jetty Road, power and authorisations, licences and permits. Jetty Road is required to hold and that its products are of an acceptable quality and manufactured, packaged, labelled and supplied in compliance with all applicable laws.

Brick Lane Manufacturing Agreement

Jetty Road has entered into an agreement with Brick Lane for the provision of beer brewing services by Brick Lane to Jetty Road (**Contract Brewing Agreement**). Sparkke has also entered into a contract brewing agreement with Brick Lane on similar terms.

Under the Contract Brewing Agreement, Jetty Road provides the hops and Brick Lane brews Jetty Road's beer in accordance with purchase orders submitted by Jetty Road. Jetty Road then picks up the finished product from Brick Lane's premises. If Jetty Road does not collect the finished product within 3 days of completion, Brick Lane is entitled to charge a storage fee for the product until it is collected. In respect of the packaging used for the Jetty Road products, Brick Lane negotiates pricing with major suppliers and orders packaging stock on behalf of Jetty Road to fulfil orders. Jetty Road must pay 50% of the price specified in the purchase order with the balance due prior to collection of the finished product.

Under the Contract Brewing Agreement, Brick Lane is not liable for any delay in providing the finished beer to Jetty Road in accordance with a purchase order. Jetty Road can cancel the agreement at any time. Where Jetty Road cancels the agreement and Brick Lane has procured packaging and other materials in anticipation of fulfilling a purchase order, Jetty Road must reimburse Brick Lane for these costs. If Brick Lane has commenced allocation of tank space or other brewery equipment in anticipation of fulfilling a purchase order, Brick Lane is entitled to retain the 50% deposit.

9.14 AGREEMENTS REGARDING SOMETHING WILD BEVERAGES

The Company, through its wholly owned subsidiary, Founders First SWB Pty Ltd ACN 634 975 152 (**FF SWB**), entered into a share sale agreement with Daniel Motlop on 22 July 2019 (**SWB Sale Agreement**) pursuant to which FF SWB purchased 5 fully paid ordinary shares in Something Wild Beverages Pty Ltd ACN 617 551 390 (**SWB**) (representing a 5% interest in SWB) in consideration for a cash payment of \$58,750 to Daniel Motlop. A description of the business of SWB is located at Section 3.5.9 of the Prospectus.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

Voting agreement with Something Wild

FF SWB entered into a shareholder voting agreement on 22 July 2019 with a number of other shareholders of SWB. The parties to this voting agreement together hold 50% of the shares on issue in SWB. The parties to the agreement are allocated to one of three particular shareholder groups defined in the agreement. Each of these shareholder groups have nominated a representative to vote on behalf of that group on all matters requiring the approval of the shareholders of SWB. The representative of each shareholder group has agreed to cast all votes that they are entitled to cast on behalf of its respective shareholder group in the same way as each other representative. In addition, if a shareholder party wishes to sell or transfer any of the shares it holds in SWB, it must first offer them to the other shareholder parties in accordance with the pre-emptive rights regime set out in the voting agreement.

These contracts are disclosed for the purposes of the Listing Rules. The Directors do not consider these contracts to be Material Contracts.

9.15 AGREEMENTS REGARDING K. BOOCH

Convertible Note Subscription Deed regarding investment in K.Booch

The Company through its wholly owned subsidiary, Founders First K.Booch Pty Ltd ACN 636 010 065 (**FF K.Booch**), entered into a convertible subscription note deed (**CNSD**) with K.BOOCH Alcoholic Kombucha Co Pty Ltd ACN 633 621 173 (**K.Booch**) on or around 11 October 2019 pursuant to which FF K.Booch advanced \$250,000 to K.Booch (**K.Booch Deal**). K.Booch conducts the business described in section 3.5.10 of the Prospectus.

The notes issued under the CNSD will convert shortly after the IPO into that number of shares equalling 20% of the total issued shared capital of K.Booch.

Pursuant to the terms of the K.Booch Deal, FF K.Booch has the right to invest up to an additional \$500,000 (**Additional K.Booch Investment Amount**) for additional convertible notes (**Additional K.Booch Notes**) in K.Booch, such right being exercisable by 28 January 2020. Any Additional K.Booch Notes will be exercisable, for a period of 12 months following the advance of the balance of the Additional K.Booch Investment Amount, into the number of fully paid ordinary shares in K.Booch calculated by reference to a pre-money valuation of K.Booch of \$1,500,000.

There is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company.

These contracts are disclosed for the purposes of the Listing Rules. The Directors do not consider these contracts to be Material Contracts.

9.16 AGREEMENTS REGARDING FOUNDERS MOMENTUM INTERNATIONAL PTY LTD

Share Sale Agreement regarding acquisition of shares in Founders Momentum

Under two transactions dated between August 2019 and November 2019, the Company, through its wholly owned Subsidiary, acquired 100% of the shares in Founders Momentum from Drua Pty Ltd ACN 083 186 467 as trustee for the Neo Family Trust with effect from 1 July 2019 in consideration for the issue of 1,875,000 Shares and 500,000 FMI Performance Rights. Drua Pty Ltd is an equity controlled by John Hood, a non-executive Director of the Company. John Hood is also a beneficiary under the Neo Family Trust. A description of the business of FMI is located at section 3.5.12 of the Prospectus. The terms of the Performance Rights are set out in Section 10.11.

Other than as set out above, there is no current or prior relationship between the vendor under this transaction and the Company or any related party or promoter of the Company. These contracts are disclosed for the purposes of the Listing Rules. The Directors do not consider these contracts to be Material Contracts.

9 MATERIAL CONTRACTS

9.17 INTRA-GROUP AGREEMENTS

Indie Craft Collective Services agreements between the Company and Investees

The Company through its wholly owned Subsidiary, FF Operations, has entered into services agreements, termed Indie Craft Collective Services Agreements, with each of Ballistic, SauceCo, Sparkke, Slipstream and Brogan's Way and intends to enter into additional Indie Craft Collective Services Agreements with other Investees. The Company has entered into separate services agreements with Foghorn and Jetty Road.

Pursuant to the standard terms of the Indie Craft Collective Services Agreement, the Company expects to provide the following services to its Investees:

- (a) Indie Craft Collective services, being:
 - (i) national sales account management services and sales representation in key markets; and
 - (ii) the Investee's sales and brand awareness and promoting the Investee's new products;
- (b) export services, being providing the Investee with access to international markets and potential sales of the Investee's products outside of Australia through the Company's nominated export business, partner or affiliate;
- (c) sales administration services, being customer invoicing and debt recovery, purchase orders placed by large or significant customers, cleaning, consolidating and reporting sales data and planning services, being assisting the Investee to develop a strategic plan in relation to its growth;
- (d) digital marketing services, being digital marketing and development and implementation of social media campaigns; and
- (e) trade marketing services, being assisting the Investee's expansion of distribution into new markets and introducing the Investee to retailers and wholesalers.

In consideration for the provision of the above services, FF Operations charges the Investee fees calculated as a percentage of the total aggregate volume or gross sales (as applicable) sold by the Investee in a given month multiplied by the net revenue of the Investee for that particular month. Additional fees may also be charged for optional services provided by FF Operations to the Investee.

The agreement will continue for the specified term agreed between the parties and may be extended at the Investee's election. The Investee may terminate the agreement with notice to FF Operations if the volume target is not reached within the specified timeframe, as agreed between the parties at the time of entering into the Indie Craft Collective Services Agreement. Either party may terminate the agreement without notice if the other party becomes insolvent. Either party may terminate the agreement on 90 days' written notice to the other party if the other party breaches any material term of the agreement and fails to remedy the breach.

The exact terms of an Indie Craft Collective Services Agreement with a future Investee may differ from the standard terms summarised above.

Venue Partnering Agreements between the Company and Investees

FF Operations has entered into venue partnering agreements with each of Ballistic and SauceCo (and is in the process of negotiating a venue partnering agreement with Jetty Road in relation to the JR South Melbourne Venue) and intends to enter into a venue partnering agreement with each Investee that operates one or more venues. Pursuant to the standard terms of the venue partnering agreement, for so long as the Company continues to hold (through its Subsidiaries) shares in the Investee, the Investee must offer the Company a first right of refusal to develop, acquire, establish and/or operate the Investee venue(s) in partnership with the Company. If the Company chooses not to accept the offer, the Investee may then pursue the venue opportunity without the Company, provided they do so on similar, or not substantially better, terms.

Where the Investee and the Company agree to develop, acquire, establish and/or operate a venue together, the parties must enter into a brand venue entity term sheet (**BVETS**) containing the terms specific to the particular venue. Each time a BVETS is executed, the Investee and the Company will incorporate a new Australian registered proprietary limited company to hold 100% of the interest in the particular venue and any required licences. The Company and the Investee will each hold 50% of the equity capital in the new company, subject to the terms of the BVETS.

Under the venue partnering agreement entered into with each relevant Investee, the Company and the Investee will agree to provide services in respect of the venue and receive fees in exchange for these services.

Either party may terminate the venue partnering agreement immediately by mutual agreement in writing or if the other party becomes insolvent. Either party may terminate the agreement on 90 days' written notice to the other party if the other party breaches any material term of the agreement and fails to remedy the breach.

The exact terms of a future venue partnering agreement with a particular Investee may differ from the standard terms summarised above.

Shareholders agreements

To the extent not discussed elsewhere in this Section 9, the Company, through wholly-owned Subsidiaries, has entered into a shareholders agreement with each Partner (other than K.Booch and SWB) on the following key terms:

- (a) the relevant Subsidiary has a right to appoint directors of the relevant Partner as follows:
 - (i) in respect of Jetty Road, Foghorn, Founders Momentum and Sparkke, the relevant Subsidiary may appoint up to two directors, for so long as that Subsidiary is a shareholder;
 - (ii) in respect of Slipstream, the relevant Subsidiary may appoint up to two directors, for so long as that Subsidiary holds 40% or more of the shares on issue in Slipstream;
 - (iii) in respect of Ballistic, the relevant Subsidiary does not have any specific right to appoint a director;
 - (iv) in respect of SauceCo, the relevant Subsidiary may appoint one director if that Subsidiary holds 20% or more of the shares on issue in SauceCo and may appoint two directors if that Subsidiary holds 40% or more of the shares on issue in SauceCo;
- (b) certain decisions require a special resolution of the shareholders of the Partner, including appointing a director other than as provided under the shareholders agreement and selling a majority of the assets of the Investee. A special resolution of shareholders means:
 - (i) in respect of Jetty Road, Foghorn, Founders Momentum and Sparkke, a resolution passed by shareholders entitled to vote and who between them hold at least 75% of the total number of issued voting shares and which majority must include the affirmative vote of the relevant Subsidiary;
 - (ii) in respect of SauceCo and Slipstream, a resolution passed by shareholders entitled to vote and who between them hold at least 75% of the total number of issued voting shares. This majority does not need to include the affirmative vote of the relevant Subsidiary; and
 - (iii) in respect of Ballistic, a resolution passed by all shareholders present and entitled to vote at a meeting;
- (c) certain decisions require a special resolution of the directors of the Partner, including issuing new securities, adopting or varying a business plan for the Partner and appointing, removing or materially changing the terms of engagement of a founder. A special resolution of directors means:
 - (i) in respect of Jetty Road, Foghorn, Sparkke and Slipstream, a resolution passed by at least 75% of the directors and which majority must include the affirmative vote of at least one of the directors appointed by the relevant Subsidiary;
 - (ii) in respect of Founders Momentum, a resolution passed by at least 66% of the directors and which majority must include the affirmative vote of at least one of the directors appointed by the relevant Subsidiary;
 - (iii) in respect of SauceCo, a resolution passed by at least 75% of the directors. The affirmative vote of a director appointed by the relevant Subsidiary is not required to be included in this majority;
 - (iv) in respect of Ballistic, a resolution passed by all of the directors;
- (d) the Partner must not issue new shares and shareholders must not transfer existing shares without first offering those shares to all existing shareholders. Other than in relation to Ballistic, the restriction on the transfer of shares does not apply where the transfer is to an affiliate of the shareholder transferring the shares;
- (e) each shareholders agreement will be terminated by mutual agreement by all shareholders, the date on which one shareholder holds all securities in the Partner (other than in respect of Ballistic), on the winding up of the Partner or the date on which shares in an initial public offering of shares of the Investee on a recognised stock exchange (other than in respect of Ballistic). In respect of the shareholders agreement between Ballistic and its shareholders, the shareholders agreement will also be terminated on the sale of the assets or shares of Ballistic; and
- (f) in respect of the shareholders agreement between Ballistic and its shareholders, a change in control of a shareholder requires the consent of all other shareholders. However, this does not apply to a change in control resulting from a shareholder listing on a recognised stock exchange. In the event that this consent is not given, a change in control of a shareholder will require that shareholder to sell its shares in accordance with the pre-emptive rights process set out in the shareholders agreement.

The Company expects it will enter into a shareholders agreement in relation to K. Booch on terms customary or appropriate for the nature of that transaction.

9 MATERIAL CONTRACTS

Tax Sharing and Tax Funding Agreements

The Company and its wholly owned Subsidiaries entered into a tax sharing agreement and a tax funding agreement on 24 September 2019. Subsidiaries incorporated after this date will enter into accession deeds in relation to the tax sharing deed and tax funding deed.

The Company is the head entity in a tax-consolidated group under Australian taxation law and accordingly is responsible for all income tax and related liabilities associated with the income tax consolidated group. As a result, the Company and its Australian wholly owned entities are all subject to income tax through membership of the tax-consolidated group.

The entities within the tax consolidated group have entered into a tax funding agreement and a tax sharing agreement with the Company. The tax funding agreement sets out the terms by which the income tax related liabilities will be funded between the Company as the head company of the income tax consolidated group and its subsidiary members. Under the terms of the tax funding arrangement, the consolidated current and deferred tax amounts for the tax-consolidated group are allocated to the members of the tax-consolidated group using the "stand alone" approach. Under the tax sharing agreement, each subsidiary member that is party to the agreement is only liable for an amount of tax as determined in accordance with the agreement rather than being jointly and severally liable for an entire tax debt incurred by the income tax consolidated group. Both the tax funding agreement and the tax sharing agreement will continue in effect until terminated by the Company for any reason by serving a notice of termination on the particular subsidiary member. The agreements will also terminate in respect of a particular subsidiary member if it exits the tax consolidated group provided that the exiting member has satisfied all of its outstanding obligations and responsibilities under the agreements including payment obligations to the Company.

ADDITIONAL INFORMATION

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10 ADDITIONAL INFORMATION

10.1 INCORPORATION

The Company was incorporated on 13 November 2017 as a private company limited by shares with ABN 13 622 310 897. It was then converted to a public company on 3 September 2019.

10.2 BALANCE DATE

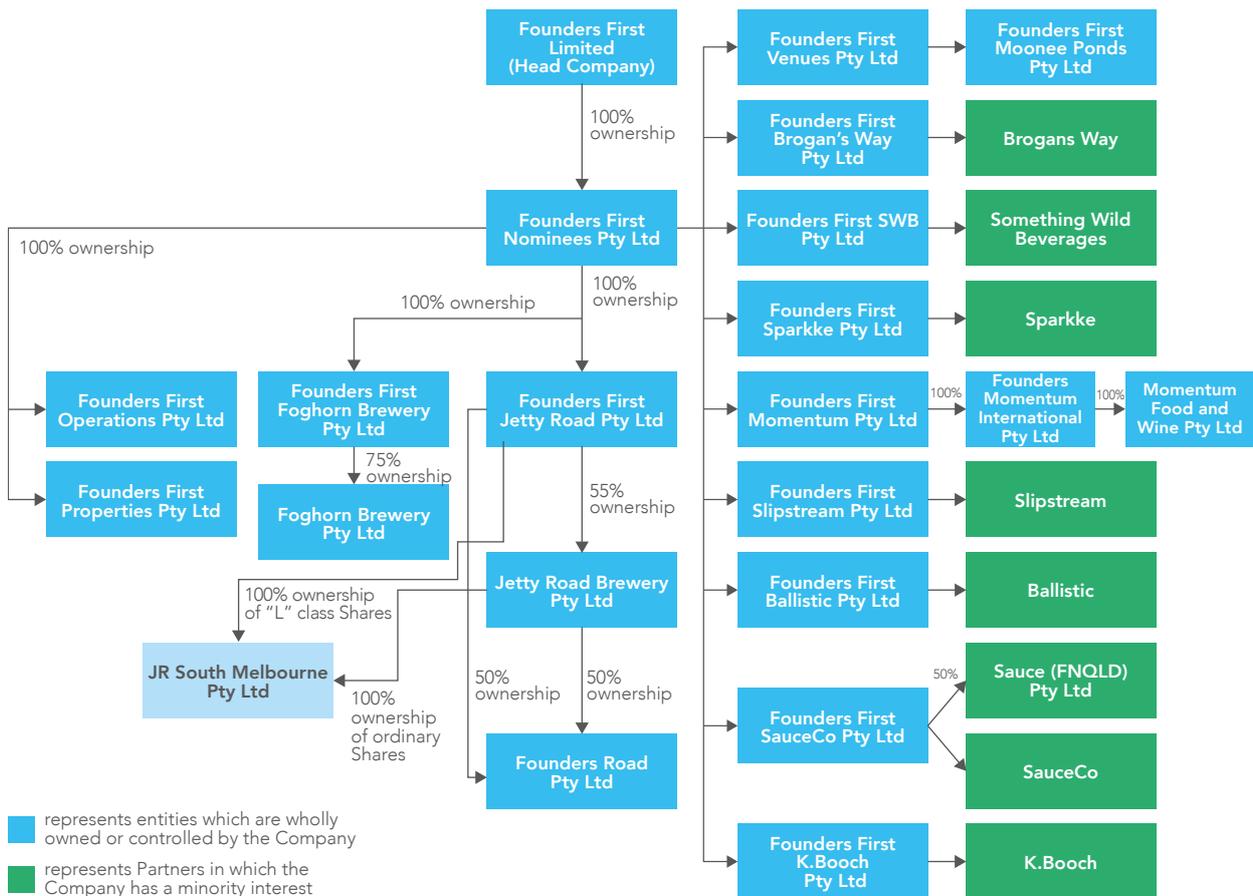
The financial accounts for the Company will be drawn up to 30 June annually.

10.3 COMPANY TAX STATUS

The Company has made an election to form an income tax consolidated group for Australian tax purposes effective 22 November 2018. The Company and its Australian wholly owned entities are all subject to income tax through membership of the tax consolidated group.

The Company will be taxed as an Australian tax resident public company in Australia for the purposes of Australian income tax law. The Company's financial accounts include the operations of its Subsidiaries, however only the Company and its Australian wholly-owned Subsidiaries are subject to tax through membership of the tax consolidated group.

10.4 CORPORATE STRUCTURE



The Company does not have any parent companies. The Company has a number of subsidiary companies as follows:

CHILD ENTITY	NATURE OF ITS BUSINESS ACTIVITIES	LOCATION OF ITS BUSINESS ACTIVITIES	LOCATION OF INCORPORATION	THE COMPANY'S INTEREST IN CHILD ENTITY
Founders First Nominees Pty Ltd ACN 630 181 118	Holds the Company's interest in its shareholding entities	Victoria	Victoria	100%
Founders First Brogan's Way Pty Ltd ACN 636 694 847	Holds the Company's interest in Poison Creek Distilling Pty Ltd	Victoria	Victoria	100%
Founders First Slipstream Pty Ltd ACN 636 550 340	Holds the Company's interest in Slipstream Brewing Company Pty Ltd	Victoria	Victoria	100%
Founders First SauceCo Pty Ltd ACN 636 010 216	Holds the Company's interest in SauceCo Pty Ltd	Victoria	Victoria	100%
Founders First Ballistic Pty Ltd ACN 635 663 008	Holds the Company's interest in Ballistic Beer Company Pty Ltd	Victoria	Victoria	100%
Founders First Momentum Pty Ltd ACN 634 548 664	Holds the Company's interest in Founders Momentum International Pty Ltd	Victoria	Victoria	100%
Founders Momentum International Pty Ltd ACN 634 458 647	Export distribution agency	Operates from South Australia	South Australia	100%
Momentum Food and Wine Pty Ltd ACN 120 464 182*	Holds the Australian Trusted Trade certification used by Founders Momentum International Pty Ltd	Operates from South Australia	South Australia	100% through the Company's interest in Founders Momentum International Pty Ltd*
Founders Momentum Victoria Pty Ltd ACN 168 316 318**	Enables sales of wines to Visa applicants who live in Victoria and need to purchase wine from a Victorian company	Operates from Victoria	Victoria	100% through the Company's interest in Founders Momentum International Pty Ltd**
Founders First Jetty Road Pty Ltd ACN 630 181 298	Holds the Company's interest in Jetty Road Brewery Pty Ltd	Victoria	Victoria	100%
Jetty Road Brewery Pty Ltd ACN 603 372 210	Operates a brewpub in Dromana, Victoria and distributes wholesale products Australia-wide	Operates from Victoria	Victoria	55.60%
Founders Road Pty Ltd ACN 631 276 143	Organises festivals and beer tasting events	Operates from Victoria	Victoria	50% through the Company's interest in Jetty Road Brewery Pty Ltd and 50% through Founders First Jetty Road Pty Ltd
Founders First Foghorn Brewery Pty Ltd ACN 631 134 293	Holds the Company's interest in Foghorn Brewery Pty Ltd	Victoria	Victoria	100%

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CHILD ENTITY	NATURE OF ITS BUSINESS ACTIVITIES	LOCATION OF ITS BUSINESS ACTIVITIES	LOCATION OF INCORPORATION	THE COMPANY'S INTEREST IN CHILD ENTITY
Foghorn Brewery Pty Ltd ACN 631 135 414	Operates a brewpub and associated restaurant in Newcastle, New South Wales	Operates from New South Wales	Victoria	75%
Founders First Sparkke Pty Ltd ACN 635 023 862	Holds the Company's interest in Sparkke Group Holdings Pty Ltd	Victoria	Victoria	100%
Founders First K.Booch Pty Ltd ACN 636 010 065	Holds the Company's interest in K.BOOCH Alcoholic Kombucha Co Pty Ltd	Victoria	Victoria	100%
Founders First SWB Pty Ltd ACN 634 975 152	Holds the Company's interest in Something Wild Beverages Pty Ltd	Victoria	Victoria	100%
Founders First Properties Pty Ltd ACN 630 181 994	Incorporated to hold operational companies	Victoria	Victoria	100%
Founders First Operations Pty Ltd ACN 630 181 458	Provides capital, sales and marketing, supply chain and management expertise to the Company's investments	Victoria	Victoria	100%
Founders First Venues Pty Ltd ACN 636 694 785	Operates the venues owned by the Company's craft beverage assets	Victoria	Victoria	100%
Founders First Moonee Ponds Pty Ltd ACN 636 695 451	Operates the Moonee Ponds venue acquired by the Company	Victoria	Victoria	100%

* Wholly-owned subsidiary of Founders Momentum International Pty Ltd.

** Wholly-owned subsidiary of Momentum Food and Wine Pty Ltd.

10.5 DIVIDEND POLICY

It is anticipated that significant expenditure will be incurred in executing the Company's business and marketing plans. These activities are expected to dominate the period following the date of this Prospectus. Accordingly, the Company does not expect to declare any dividends for the foreseeable future.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and the financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

10.6 SUBSTANTIAL SHAREHOLDERS

As at the date of this Prospectus, the Company is aware of the following Existing Shareholders holding greater than 5% of the Shares on issue. The Company has no reason to believe that these parties will not retain an equity interest in the Company.

EXISTING SHAREHOLDERS	AS AT THE DATE OF THIS PROSPECTUS		ON COMPLETION OF THE OFFER	
	SHARES	SHARES (%) ³	SHARES ^{3,4}	SHARES (%) ^{3,5}
Seppeltsfield Pty Ltd ACN 127 078 228 ²	7,680,000	8.35%	6.86%	6.05%
Stuart Morton ^{1,2}	7,028,467	7.64%	6.28%	5.53%
Dan Wales ^{1,2}	5,620,096	6.11%	5.02%	4.43%

1. This is the aggregated shareholding of a number of Shareholders in which this individual has an interest.
2. Assuming that the named entity/individual only holds the Shares that it/he holds at the date of this Prospectus.
3. On an undiluted basis.
4. Assuming \$10.0 million is raised under the Offer.
5. Assuming \$17.5 million is raised under the Offer.

10.7 DEED OF INDEMNITY, INSURANCE AND ACCESS

The Company has entered into a deed of indemnity, insurance and access with each Director and the Company Secretary pursuant to which:

- (a) the Company indemnifies, to the extent permitted by law and otherwise subject to the terms of these deeds, each Director and the Company Secretary for certain liabilities which the Director or the Company Secretary may incur as an officer of the Company. These liabilities include losses or liabilities incurred by the Director to any other person as an officer of the Company, including legal expenses;
- (b) the Company agrees to provide each Director and the Company Secretary with access to certain Company records to defend proceedings until the end of seven years after the retirement of the Director or the Company Secretary; and
- (c) the Company agrees to procure (at its cost) directors and officers insurance for the benefit of each Director and the Company Secretary (and use commercially reasonable endeavours to maintain any policy for the period that they are officers and for seven years after they cease to act as officers).

10.8 RIGHTS ATTACHING TO THE SHARES

Immediately after issue and allotment, the New Shares will be fully paid Shares and will rank pari passu (equally in all respects) with the Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Constitution and the Corporations Act. A copy of the Constitution can be inspected during office hours at the registered office of the Company and Shareholders have the right to obtain a copy of the Constitution, free of charge.

The provisions relating to the rights attaching to Shares under the Constitution are summarised below. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of Shareholders. These rights and liabilities can involve complex questions of law arising from an interaction of the Constitution with statutory and common law requirements. For a Shareholder to obtain a definitive assessment of the rights and liabilities which attach to the Shares in any specific circumstances, the Shareholder should seek legal advice.

Each Share will confer on its holder:

- (a) the right to receive notice of and to attend general meetings of the Company and to receive all financial statements, notices and documents required to be sent to them under the Constitution and the Corporations Act;
- (b) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);

10 ADDITIONAL INFORMATION

- (c) the right to receive dividends (to the extent dividends are declared by the Board), according to the amount paid up on the Share. The dividend is payable at a time determined in the Board's discretion. No dividend may be declared or paid except as allowed by the Corporations Act and no interest is payable in respect of unpaid dividends. The Directors may set aside from the Company's profit any amount that they consider appropriate. This amount may be used in any way that profits can be used, and can be invested or used in the Company's business in the interim;
- (d) the right to receive, in kind, the whole or any part of the Company's property on a winding up, subject to priority given to holders of Shares that have not been classified by ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company with the consent of members by special resolution; and
- (e) the right to transfer or dispose of the Share, subject to formal requirements, the registration of the transfer not resulting in a contravention of, or failure to observe the provisions of, a law of Australia and the transfer not being in breach of the Corporations Act, the Listing Rules, any Escrow Restrictions or the Employee Incentive Plan.

In respect of "Restricted Securities", as that term is defined in the Listing Rules and including Shares under a restriction agreement or deed in a form set out in the Listing Rules or otherwise approved by ASX (**Restricted Securities**):

- (a) a holder of Restricted Securities must not dispose of, or agree or offer to dispose of, the Restricted Securities during the escrow period applicable to those securities except as permitted by the Listing Rules or ASX;
- (b) if the Restricted Securities are in the same class as quoted Securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a holding lock applied for the duration of the escrow period applicable to those Restricted Securities;
- (c) the Company will refuse to acknowledge any disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX;
- (d) a holder of Restricted Securities will not be entitled to participate in any return of capital on those Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX; and
- (e) if a holder of Restricted Securities breaches a restriction deed or a provision of the Constitution restricting a disposal of those Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for so long as the breach continues.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

10.9 EMPLOYEE INCENTIVE PLAN

The Company has adopted an employee incentive plan to reward, retain and attract certain employees, consultants and directors of the Company.

Carefully designed, performance linked, equity plans are widely considered to be effective in providing long term incentives to staff. They are also used to attract and retain staff by providing them with the opportunity to participate in the creation of a valuable personal asset – a financial stake in the Company.

As part of the Company's strategy, the Board wishes to be in a position to grant Employee Incentives under the Employee Incentive Plan to employees to achieve the objectives outlined above.

The Board is aware of general Shareholder concern that long-term equity based rewards for staff should be linked to achievements by the Company. Employee Incentives granted under the Employee Incentive Plan to eligible participants may be subject to exercise conditions or performance criteria for each participating employee as determined by the Board from time to time.

Pursuant to the Employee Incentive Plan, the Company may offer Plan Shares, Employee Options or Performance Rights on the terms and conditions summarised below.

(a) Eligibility

Any employee, consultant or Director of the Company may be declared by the Board, in its sole and absolute discretion, to be eligible to participate in the Employee Incentive Plan (**Eligible Employee**). While all Directors are eligible to participate in the Employee Incentive Plan, such future participation will be subject to the Company obtaining all requisite shareholder approvals. As at the date of this Prospectus, Mark Haysman is the only Director that has participated in the Employee Incentive Plan. As described in Section 9.1, Mark holds 4,342,500 Plan Shares, of which 4,062,500 Plan Shares are subject to non-recourse loan arrangements.

(b) Offer

The Board may from time to time in its absolute discretion make a written offer to Eligible Employees to apply for or be issued a specific number of Employee Incentives, upon the terms set out in the Employee Incentive Plan and upon such additional terms and conditions as the Board determines.

(c) Consideration

An Eligible Employee may be required to pay an issue price in consideration for the grant of an Employee Incentive under the Employee Incentive Plan.

(d) Maximum allocation

The Employee Incentive Plan provides a limit on the number of Employee Incentives that can be issued under the plan such that an issue of an Employee Incentive must not result in the number of Plan Shares, Employee Options or Employee Performance Rights issued under the Employee Incentive Plan, in aggregate, exceeding 8.5% of the total number of Shares on issue as at the date of the proposed issue of Employee Incentives.

(e) Employee Loans

The Employee Incentive Plan also provides that the Board may, in its discretion, elect to provide an Eligible Employee with a limited recourse, interest-free loan for an amount equal to the issue price of any Employee Incentives to enable the Eligible Employee to subscribe for Employee Incentives. These loans are repayable:

- i. upon the Employee ceasing to be employed by the Company;
- ii. within 30 days after the date the Employee sells, transfers or otherwise deals with the Shares.

In the event that a loan is repayable by the Eligible Employee to the Company, the Company's sole recourse in the event that the Eligible Employee defaults on their obligation to repay the loan will be limited to the Employee Incentives to which the loan relates and the Company may deal with those Employee Incentives by treating the Employee Incentives as having been forfeited or lapsed.

(f) Minimum Holding Period

A legal or a beneficial interest in a Share issued under the Employee Incentive Plan may not be disposed of until the Share has vested.

The Board may specify, in its absolute discretion, a specific holding period and/or Restrictions that apply to some or all of the Shares, Plan Shares, Employee Options or Employee Performance Rights offered to a person in any Offer (**Holding Period**).

(g) Terms of Plan Shares

The rights attaching to the Plan Shares are the same as the Shares as summarised in Section 10.8. At the date of this Prospectus, there are 5,675,000 Plan Shares on issue under the Company's Employee Incentive Plan.

(h) Terms of Employee Options and Performance Rights

At the date of this Prospectus, there are 160,000 Employee Performance Rights on issue under the Company's Employee Incentive Plan.

The Company has agreed to issue an additional 800,000 Performance Rights to the incoming CFO on the later of: (i) commencement of the CFO's employment agreement; and (ii) admission of the Company to the Official List of the ASX. The Performance Rights issued to the CFO will vest on the date that is 2 years after the commencement of his employment, provided that the CFO remains continuously employed by the Company for the duration of this 2 year period.

The Company has agreed to offer 40,000 Performance Rights under the Employee Incentive Plan to the managing director of Sparkke, Andrew Buttery, on the later of: (i) the date on which the Company lists on the ASX; and (ii) the date on which all of the A Notes and B Notes are converted into shares in Sparkke Holdings or SCBC (as applicable) (**Sparkke PR Offer**).

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If the Sparkke PR Offer is made, then the 40,000 Performance Rights will vest and become exercisable on the earlier of: (i) the date on which Andrew Buttery has been continuously employed by Sparkke for 2 years; (ii) the date on which Sparkke or a company that has a 100% holding in Sparkke lists on the ASX or other recognised stock exchange; and (iii) the date on which the Company or its wholly owned Subsidiary holding shares in Sparkke or Sparkke's holding company (as applicable) sells at least 50% of those shares to a purchaser for consideration which results in an at least 80% uplift in the value of those shares from the value paid for those shares by the Company or its wholly owned Subsidiary (as applicable). Further details regarding the Performance Rights that may be offered under the Sparkke PR Offer are contained in Section 10.9.

To the extent Employee Options or any Employee Performance Rights are issued under the Employee Incentive Plan in the future, the terms that would apply to those Employee Options and Employee Performance Rights are summarised below.

(i) Employee Options

Exercise Price, Expiry Date and Entitlement

Each Employee Option shall have an exercise price (**Exercise Price**) and expiry date (**Expiry Date**) determined by the Company at the time of issue of the Employee Options.

No Employee Options are on issue. Each Employee Option entitles the holder (**Employee Optionholder**) to subscribe for one Share on payment of the Exercise Price.

Vesting Conditions and Exercise Period

The Employee Options may be subject to vesting conditions (**Vesting Conditions**), including time elapsed from the date of Quotation.

Each Employee Option is exercisable from the date of satisfaction or of waiver by the Board of the relevant Vesting Conditions and before the Expiry Date (**Exercise Period**).

(j) Employee Performance Rights

Performance Condition and Performance Period

Each Employee Performance Right entitles an Eligible Employee (**Performance Rights Holder**) to be issued one Share upon the satisfaction of the Performance Criteria and the exercise of that Performance Right.

The Employee Performance Rights will be subject to performance criteria (**Performance Criteria**) which must be satisfied during the period specified by the Board of the Company (**Performance Period**).

The Exercise Price and Expiry Date for the Employee Options issued to several key employees are set out in the table below:

# EMPLOYEE PERFORMANCE RIGHTS	EXERCISE PRICE ²	EXPIRY DATE	VESTING CONDITIONS
120,000	\$0.40	5pm on 16 October 2022	Subject to continued employment conditions and certain vesting conditions and the terms of the EIP
40,000	\$0.50	5pm on the date that is 30 days after Completion of the Offer	Subject to continued employment conditions and certain vesting conditions and the terms of the EIP
800,000 ¹	\$0.50	5pm on the date that is 30 days after the satisfaction of the relevant vesting condition	Subject to continuous employment from Quotation until 2 December 2021
40,000 ¹	\$0.50	5pm on the date that is 30 days after Completion of the Offer	See Section 10.9(h) of this Prospectus for details

1. The Offer of these Performance Rights is subject to certain conditions precedent. Accordingly, these Performance Rights have not been issued. See Section 10.9(h) for details.

2. The exercise price for each Performance Right will be funded via a non-recourse, interest free loan provided by the Company under the Employee Incentive Plan. See Section 10.9(e) for further details.

Notice of Performance Criteria

At the end of the Performance Period the Board will determine and notify the Performance Rights Holder if a Performance Criteria has been satisfied.

(k) Shares issued on exercise

Shares issued upon exercise of an Employee Option or an Employee Performance Right will rank equally with the Shares of the Company and third party interests and the Company will apply to ASX for quotation of the Shares.

(l) Participation in new issues, voting rights and dividends

There are no participation rights or entitlements inherent in the Employee Options nor the Employee Performance Rights and Employee Optionholders and Performance Rights Holders will not be entitled to vote, receive any dividends or participate in new issues of capital offered to Shareholders during the currency of the Employee Options and the Employee Performance Rights unless and until the Employee Options have been exercised or the Performance Criteria have been satisfied and the Performance Rights Holder is issued Shares.

(m) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- i. the number of Shares which must be issued on the exercise of an Employee Option will be increased by the number of Shares which the Holder would have received if the Holder of Employee Options had exercised the Employee Option before the record date for the bonus issue; and
- ii. no change will be made to the Exercise Price.

(n) Adjustment for rights issue

If the Company makes an issue of Shares pro-rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Employee Option will be reduced according to the formula in Listing Rule 6.22 so that the Holder does not suffer any detriment as a result of the pro-rata issue.

(o) Adjustment for reorganisation

If there is any reorganisation (including consolidation, sub-division, reduction, issue of bonus shares, buy back or cancellation) of the issued share capital of the Company, the Board may make appropriate adjustments in the number and kind of Shares over which the Performance Rights and Options may be granted and the number of Performance Rights and Options or the number and kind of Shares subject to each Performance Right and Option at the time of such change so that the percentage of the fully diluted share capital of the Company into which a Performance Right or Option is exercisable is the same before and after such reorganisation, provided such adjustment must be made in accordance with the Listing Rules.

(p) Non-Transferable and No Quotation

The Employee Options and Employee Performance Rights are non-transferable but the Employee may nominate a Nominated Party of the Employee to hold the Employee Incentives subject to Board approval. Neither Employee Options nor Employee Performance Rights will not be quoted.

For the purposes of these terms, a “**Nominated Party**” means, in respect of an Eligible Employee:

- i. an immediate family member of the Eligible Employee;
- ii. a corporate trustee of a self-managed superannuation fund (within the meaning of the *Superannuation Industry (Supervision) Act 1993*) where the Eligible Employee is a director of the trustee; or
- iii. a company whose members comprise no persons other than the Eligible Employee or immediate family members of the Eligible Employee.

(q) Takeovers and Reconstruction

If a Change of Control Event occurs, subject to the Listing Rules, all unvested Shares, unvested Employee Options and unvested Employee Performance Rights will automatically vest and become immediately exercisable with such vesting deemed to have taken place immediately prior to the effective date of the Change of Control Event, regardless of whether or not the employment, engagement or office of the holder of the Performance Rights is terminated or ceases in connection with the Change of Control Event.

The Board of the Company must give the Eligible Employee notice (**Notice**) of any proposed Change of Control Event.

10 ADDITIONAL INFORMATION

For the purposes of these terms, a “**Change of Control Event**” means:

- i. the occurrence of:
 - A. a takeover bid is made for Shares under Chapter 6 of the Corporations Act; and
 - B. that the takeover bid has become unconditional; or
- ii. under Part 5.1 of the Corporations Act, a court sanctions a compromise or arrangement relating to the Company or a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- iii. any other merger, consolidation or amalgamation involving the Company occurs which results in the holders of Shares immediately prior to the merger, consolidation or amalgamation being entitled to 50 per cent or less of the voting shares in the body corporate resulting from the merger, consolidation or amalgamation;
- iv. any Group Company enters into agreements to sell in aggregate a majority in value of the businesses or assets (whether or not in the form of shares in a Group Company) of the Group to a person, or a number of persons, none of which are Group Companies; or
- v. the Board determines in its reasonable opinion, control of the Company has or is likely to change or pass to one or more persons, none of which are Group Companies.

(r) Lapse of Employee Performance Rights and Options

Unless otherwise determined by the Board, any Employee Options and Employee Performance Rights automatically lapse if:

- i. the Eligible Employee becomes a Bad Leaver;
- ii. the Eligible Employee becomes a Good Leaver and does not exercise all vested Employee Options or vested Employment Performance Rights within the specified Performance Period;
- iii. a Performance Criteria has not been satisfied within the Performance Period or Vesting Conditions are not achieved by the relevant time;
- iv. if the Board determines in its reasonable opinion that the Performance Criteria or Vesting Conditions have not been met and cannot be met prior within the Performance Period or prior to the Exercise Period;
- v. where the Board has determined that the Eligible Employee has, by any act or omission, brought the Company into disrepute; or
- vi. any other circumstances specified in the offer made to the Eligible Employee pursuant to which the Employee Options or Employee Performance Rights were issued.

10.10 TERMS OF BW PERFORMANCE RIGHTS

As part of the acquisition of its interest in Brogan’s Way, the Company has agreed to issue WFI 2,250,000 Performance Rights (**BW Performance Rights**) in consideration for the sale of the shares in Brogan’s Way held by WFI to the Company’s wholly owned Subsidiary. The terms of the BW Performance Rights to be issued to WFI are as follows:

- (a) the BW Performance Rights will only vest and become eligible to be converted upon the earlier of:
 - (i) the Company’s wholly owned Subsidiary, FF Operations, delivering written records to WFI before the date that is 3 months after the performance target date specified in the Services Agreement between Brogan’s Way and FF Operations (**Expiry Date**) evidencing, to the reasonable satisfaction of WFI, the achievement of the Performance Target (as defined in Section 9.11) on or before the Performance Target Date (**Performance Vesting Event**); or
 - (ii) WFI giving written notice to FF Limited at any time after the date of the Agreement and before the Expiry Date that it wishes to convert the BW Performance Rights irrespective of the achievement of the Performance Target (as those terms are defined in Section 9.11 of the Prospectus) (**Discretionary Vesting Event**),
(each a **Vesting Event**);
- (b) on the happening of a Vesting Event, the BW Performance Rights will vest and become convertible into Shares for nil consideration;
- (c) following the happening of a Vesting Event and by the date being no later than the Expiry Date, WFI may serve a notice on the Company (**Conversion Notice**) to exercise its right to convert the BW Performance Rights into Shares;

- (d) if WFI serves a Conversion Notice on the Company, the Company must issue the Shares to WFI (or at WFI's direction) within 10 business days after the later of the following dates:
- (i) if the Company is not in possession of Excluded Information (as that term is defined in section 708A(7) of the Corporations Act) in respect to the Company at the relevant time, the date of receipt of the Conversion Notice by the Company; and
 - (ii) the date the Company ceases to be in possession of Excluded Information in respect to the Company;
- but in any event, where a new issue has been announced by the Company, subject to the requirements of the Listing Rules, the Shares must be issued prior to the Record Date as defined in clause 10.10(l) below (where relevant);
- (e) on the date the Shares are to be issued in accordance with the terms of the BW Performance Rights, the Company will:
- (i) allot and issue the Shares to WFI (or its nominee) pursuant to the conversion of the BW Performance Rights contemplated under the terms of the share sale agreement;
 - (ii) give the ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
 - (iii) apply for official quotation on the ASX of the Shares issued pursuant to the conversion of the BW Performance Rights;
- (f) the Shares issued on conversion of the BW Performance Rights will rank *pari passu* with existing shares in the capital of the Company;
- (g) all:
- (i) unvested BW Performance Rights; or
 - (ii) vested BW Performance Rights (in respect of which WFI has not served a Conversion Notice on the Company in accordance with the terms of the share sale agreement),
- will automatically lapse on the earlier of:
- (i) the Expiry Date; and
 - (ii) WFI delivering an exercise notice in respect of the exercise of the option to buy back the shares in Brogan's Way transferred to the Company's wholly owned Subsidiary;
- (h) the BW Performance Rights will not be quoted on the ASX and will not otherwise be transferable;
- (i) subject to the terms of the BW Performance Rights, each BW Performance Right is exercisable into one ordinary share in the Company;
- (j) the BW Performance Rights do not confer on WFI any right to participate in dividends or voting until the Shares are allotted pursuant to the conversion of the BW Performance Rights;
- (k) in the event of a reorganisation of the issued capital of the Company, the BW Performance Rights will be reorganised in a manner consistent with the Corporations Act and the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on WFI which are not conferred on shareholders of the Company and for such purpose the Company may vary the number or other terms of the BW Performance Rights in such manner as may be necessary to comply with the Listing Rules;
- (l) in respect of new issues of securities offered to shareholders of the Company as at a specified record date for determining entitlements to participate in any such issue (**Record Date**):
- (i) the number of shares to be issued pursuant to the conversion of BW Performance Rights will be adjusted for bonus issues made prior to the conversion of the BW Performance Rights so that, upon conversion of the BW Performance Rights, the number of Shares received by WFI will include the number of bonus Shares that would have been issued if the BW Performance Rights had been converted prior to the Record Date for the bonus issue; and
 - (ii) there are no participating rights or entitlements inherent in the BW Performance Rights and WFI will not be entitled to participate in new issues of capital offered to shareholders during the currency of the BW Performance Rights. However, subject to the requirements of the Listing Rules, the Company will ensure that the Record Date will be at least 3 business days after the issue is announced. This will give WFI the opportunity to give notice to convert the BW Performance Rights prior to the Record Date; and
- (m) a BW Performance Right does not confer the right to a change in conversion price or a change in the number of underlying shares into which the BW Performance Right can be converted.

10 ADDITIONAL INFORMATION

10.11 TERMS OF FMI PERFORMANCE RIGHTS

As detailed in Section 9.16, as part of the acquisition of Founders Momentum, the Company issued to Drua Pty Ltd 500,000 Performance Rights (**FMI Performance Rights**) as part of the consideration for the acquisition of 100% of the shares in Founders Momentum. The terms of the FMI Performance Rights issued to Drua Pty Ltd are as follows:

- (a) the FMI Performance Rights will only vest and become eligible to be converted into Shares upon Founders Momentum achieving an average EBIT of \$400,000 per year over FY21 and FY22 (**Vesting Criteria**);
- (b) subject to Section 10.11(k) and (l) below, if the Vesting Criteria is achieved, for nil consideration, all FMI Performance Rights will, in aggregate, convert into that number of Shares calculated as follows:
 - (i) 250,000 Shares; plus
 - (ii) for every \$0.10 that the Share Price exceeds \$1.00, Drua Pty Ltd will receive an additional 50,000 Shares, capped at a maximum of 500,000 Shares. For the purposes of this Section 10.11 "Share Price" means the volume weighted average price of Shares over the 30 days on which trades in Shares were recorded on the ASX immediately preceding 30 June 2022.
- (c) following the satisfaction of the Vesting Criteria and by the date being no later than 3 months after the release of the Company's unaudited or audited financial results for the full year ending 30 June 2022 (**PR Expiry Date**), Drua Pty Ltd may serve a notice on the Company (**Conversion Notice**) to exercise its right to convert the FMI Performance Rights into Shares;
- (d) if Drua Pty Ltd serves a Conversion Notice on the Company, the Company must issue the Shares to Drua Pty Ltd (or its nominee) within 20 Business Days after the later of the following dates:
 - (i) if the Company is not in possession of Excluded Information in respect to the Company at the relevant time, the date of receipt of the Conversion Notice by the Company; and
 - (ii) the date the Company ceases to be in possession of Excluded Information in respect to the Company;
- (e) on the date the Shares are to be issued in accordance with the terms of the FMI Performance Rights, the Company will:
 - (i) allot and issue the Shares to Drua Pty Ltd (or its nominee) pursuant to the conversion of the FMI Performance Rights;
 - (ii) give the ASX a notice that complies with section 708A(5)(e) of the Corporations Act or lodge a prospectus with ASIC that qualifies the Shares for resale under section 708A(11) of the Corporations Act; and
 - (iii) apply for official quotation on the ASX of the Shares issued pursuant to the conversion of the FMI Performance Rights;
- (f) the Shares issued on conversion of the FMI Performance Rights will rank pari passu with existing shares in the capital of the Company;
- (g) all unvested FMI Performance Rights will automatically lapse on the date of the release of the Company's audited financial results for the full year ending 30 June 2022;
- (h) all vested FMI Performance Rights will automatically lapse on expiry of the PR Expiry Date;
- (i) the FMI Performance Rights will not be quoted on the ASX and will not otherwise be transferable;
- (j) the FMI Performance Rights do not confer on Drua Pty Ltd any right to participate in dividends or voting until the Shares are allotted pursuant to the conversion of the FMI Performance Rights;
- (k) in the event of a reorganisation of the issued capital of the Company, the FMI Performance Rights will be reorganised in a manner consistent with the Corporations Act and the Listing Rules (if applicable) and in any case in a manner which will not result in any benefits being conferred on Drua Pty Ltd which are not conferred on Shareholders of the Company and for such purpose the Company may vary the number or other terms of the FMI Performance Rights in such manner as may be necessary to comply with the Listing Rules;
- (l) in respect of new issues of securities offered to Shareholders as at a specified record date for determining entitlements to participate in any such issue (**Record Date**):
 - (i) the number of Shares to be issued pursuant to the conversion of the FMI Performance Rights will be adjusted for bonus issues made prior to the conversion of the FMI Performance Rights so that, upon conversion of the FMI Performance Rights, the number of Shares received by Drua Pty Ltd will include the number of bonus Shares that would have been issued if the FMI Performance Rights had been converted prior to the Record Date for the bonus issue; and

- (ii) there are no participating rights or entitlements inherent in the FMI Performance Rights and Drua Pty Ltd will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the FMI Performance Rights. However, the Company will ensure that the Record Date of such issues will be at least 3 business days after the issue is announced to give Drua Pty Ltd the opportunity to give notice to convert the FMI Performance Rights prior to the Record Date (subject to the Vesting Criteria being achieved); and
- (m) other than as set out in this Section 10.11, an FMI Performance Right does not confer the right to a change in conversion price or a change in the number of underlying Shares into which the FMI Performance Right can be converted.

10.12 INTERESTS OF EXPERTS AND ADVISERS

Other than as set out below, no person named in this Prospectus as providing professional or advisory services in connection with the preparation of this Prospectus or any firm in which any such person is a partner:

- (a) has or had at any time during the two years preceding the date of the Prospectus, any interest in the formation or promotion of the Company, or in any property acquired or proposed to be acquired by the Company or the Offer; or
- (b) has been paid or agreed to be paid any amount or given or agreed to be given any other benefit for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Bell Potter Securities Limited has acted as the Lead Manager to the Offer. The Company has paid or agreed to pay an amount equalling 3% of all proceeds under the Offer plus 2% of the General Proceeds plus 1% of the Company Proceeds of the Offer. In the two years preceding the date of the Prospectus, the Company has paid Bell Potter Securities Limited approximately \$347,000 (excluding GST) in relation to the Company's previous capital raising, which included the provision of bookbuilding services, marketing the Company to potential investors and lead management in relation to the capital raise.

Frost & Sullivan Australia Pty Limited provided the Industry overview in Section 2. The Company has paid or agreed to pay an amount of \$17,500 (exclusive of GST) in respect of these services.

RSM Corporate Australia Pty Ltd has acted as the Australian Investigating Accountant and provided the Investigating Accountant's Report in Section 7. The Company has paid or agreed to pay an amount of between \$30,000 and \$40,000 (plus disbursements and exclusive of GST) in respect of these services. Further amounts may be paid to the Australian Investigating Accountant in accordance with time-based charges.

Coghlan Duffy & Co Pty Ltd has acted as the legal adviser to the Company and performed work in relation to due diligence inquiries on legal matters relating to the Offer, the Company's acquisitions and the transactions contemplated under this Prospectus to complete on or after completion of the Offer. In respect of legal services relating to the Offer and the acquisitions and transactions contemplated under this Prospectus to occur on or after completion of the Offer, in the two years preceding the date of the Prospectus, the Company has paid or agreed to pay an amount of approximately \$550,000 (plus disbursements and GST) up to the date of this Prospectus. Further amounts may be paid to Coghlan Duffy & Co Pty Ltd in accordance with time-based charges.

10.13 OFFER EXPENSES

The Company has paid, or will pay, all of the costs associated with the Offer. If the Offer proceeds, the total estimated cash expenses in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees as well as printing, advertising and other expenses) are estimated to be between \$1.1 million and \$1.5 million, depending on the amount raised under the Offer:

As at the date of the Prospectus, approximately \$600,000 (including GST) of these costs has already been paid prior to the date of this Prospectus.

10 ADDITIONAL INFORMATION

10.14 CONSENTS

Each of the following parties has given and has not, before the issue of this Prospectus, withdrawn its written consent to being named in the Prospectus and to the inclusion, in the form and context in which it is included, of any information described below as being included with its consent.

- (a) Bell Potter Securities Limited has consented to being named as the Lead Manager to the Offer, but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Bell Potter Securities Limited;
- (b) Frost & Sullivan Australia Pty Ltd has consented to being named in this Prospectus and to the inclusion of the Independent Industry Overview Report in Section 2 in the form and context in which it appears;
- (c) RSM Corporate Australia Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Company's Investigating Accountant, and to the inclusion of its Investigating Accountant's Report in Section 7 in the form and context in which it appears;
- (d) RSM Australia Partners has consented to being named in the Corporate Directory of this Prospectus as the Company's Auditor;
- (e) Coghlan Duffy & Co Pty Ltd has consented to being named in the Corporate Directory of this Prospectus as the Australian corporate legal adviser to the Company (other than in relation to intellectual property, taxation and stamp duty), but it does not make any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by Coghlan Duffy & Co Pty Ltd;
- (f) Computershare Investor Services Pty Ltd has consented to being named in this Prospectus as the Company's share registry provider; and
- (g) the Company has consented to being named in the Corporate Directory.

Each of the parties referred to above other than the Company, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name and any statement or report included in this Prospectus with the consent of that party as described above.

10.15 ASX AND ASIC WAIVERS, MODIFICATIONS AND CONFIRMATIONS

The Company has applied to ASX for customary confirmations in relation to ASX Escrow Restrictions.

The Company has applied for relief from ASIC under sections 655A(1)(b) and 673(1)(b) of the Corporations Act to modify Chapter 6 and Chapter 6C of the Corporations Act so that the Voluntary Escrow Restrictions do not give rise to the Company having a relevant interest in respect of the Voluntary Escrowed Securities.

10.16 WORKING CAPITAL STATEMENT

The Directors believe that on Completion of the Offer, the Company will have sufficient working capital available from the cash proceeds of the Offer and its operations to meet its stated business objectives.

10.17 LEGAL PROCEEDINGS

Subject to the following paragraph, as far as the Directors are aware, as at the date of the Prospectus, there are no legal proceedings to which the Company is a party that it believes are likely to have a material adverse impact on the future financial results of the Company, and the Directors are not aware of any such legal proceedings that are pending or threatened.

A small number of shareholders in Jetty Road, who together hold less than 8% of the issued share capital of Jetty Road, have alleged that Jetty Road, its directors and the Company engaged in misleading and deceptive conduct in connection with the shares issued to those shareholders and have threatened to commence proceedings against those parties. Legal counsel has been engaged to respond to the allegations on behalf of Jetty Road. At the date of this Prospectus, the shareholders have not filed proceedings against Jetty Road, its directors or the Company and there have been no further developments. The Company and Jetty Road strongly dispute the allegations and will vigorously defend any proceedings if they arise.

10.18 INVESTOR CONSIDERATIONS

Before deciding to participate in this Offer, you should consider whether the Shares to be issued are a suitable investment for you. There are general risks associated with any investment in the share market. The value of Shares listed on the ASX may rise or fall depending on a range of factors beyond the Company's control.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional advisor.

The potential tax effects relating to the Offer will vary between investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

10.19 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of Applications under the Offer are governed by the law applicable in Victoria, Australia and each Applicant submits to the exclusive jurisdiction of the courts of Victoria, Australia.

10.20 STATEMENT OF DIRECTORS

Other than as set out in this Prospectus, the Directors report that after due enquiries by them there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of the Company, other than as disclosed in this Prospectus.

10.21 AUTHORISATION

This Prospectus is authorised by the Company and lodged with ASIC pursuant to Section 718 of the Corporations Act. Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:



Mark Haysman
Dated: 13 November 2019

DEFINED TERMS

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11 DEFINED TERMS

Terms used in this Prospectus and their meanings are defined in the following table.

\$	Australian Dollar(s).
AAS or Accounting Standards	Australian Accounting Standards or other authoritative pronouncements adopted by the AASB and Urgent Issues Group Interpretations.
AASB	Australian Accounting Standards Board.
ABN	Australian Business Number.
ACN	Australian Company Number.
AEDT	Australian Eastern Daylight Time.
AIBA	Australian International Beer Awards.
Allotment Date	The date on which New Shares are expected to be allotted under the Offer, as detailed in the Important Dates section of this Prospectus.
Applicant	A person who submits a valid Application Form and required Application Amount pursuant to this Prospectus.
Application	An application for New Shares under this Prospectus.
Application Amount	Money submitted by Applicants under the Offer.
Application Form	An application form attached to or accompanying this Prospectus for investors to apply for Shares under the Offer, which may be an Electronic Application Form or paper-based Application Form.
ASIC	The Australian Securities and Investments Commission.
Associate	Has the meaning ascribed to this term in the Corporations Act.
Associated Body Corporate	In relation to the Company, means: (a) a body corporate that is a Related Body Corporate of the Company; or (b) a body corporate that has voting power in the Company of not less than 20%; or (c) a body corporate in which the Company has voting power of not less than 20%.
ASX	ASX Limited (ABN 98 008 624 691) or the securities market that it operates, as the context requires.
ASX Corporate Governance Principles and Recommendations	The Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (3rd Ed).
ASX Escrow Period	The period during which ASX Escrow Restrictions apply to ASX Escrowed Securities.
ASX Escrow Restrictions	Escrow Restrictions imposed by ASX under Chapter 9 of the Listing Rules.
ASX Escrowed Securities	Securities which are the subject of ASX Escrow Restrictions.
ATO	The Australian Taxation Office.

11 DEFINED TERMS

Bad Leaver	An Eligible Employee who ceases to be an Employee due to: (a) resignation (other than due to a Special Circumstance); (b) dismissal for cause or poor performance; (c) breach of any term of a loan made pursuant to the Employee Incentive Plan; or (d) any other circumstances (other than due to a Special Circumstance) determined by the Board to constitute a Bad Leaver.
Ballistic	Ballistic Beer Company Pty Ltd ACN 606 759 022.
Board	The board of directors of the Company.
Brogan's Way	Poison Creek Distilling Pty Ltd ACN 609 724 932.
Brogan's Way Shares	The shares in Brogan's Way held by the Company as at the date of this Prospectus.
Brick Lane	Brick Lane Brewing Co Pty Ltd ACN 614 908 002.
Broker	Any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a broker to the Offer.
BW Performance Rights	The Performance Rights issued to the vendor of the Brogan's Way Shares on the terms set out in Section 10.10.
Classified Assets	Has the meaning given to it under the Listing Rules.
Closing Date	The date that the Offer closes.
Company	Founders First Ltd ACN 622 810 897.
Company Proceeds	The gross amount raised under the Offer from investors introduced or arranged by the Company.
Company Secretary	The company secretary of the Company as at the date of this Prospectus.
Completion	Completion in respect of the issue of Shares pursuant to the Offer.
Constitution	The constitution of the Company.
Corporations Act	<i>The Corporations Act 2001</i> (Cth).
Corporations Regulations	<i>The Corporations Regulations 2001</i> (Cth).
Directors	The Executive and Non-Executive directors of the Company as at the date of this Prospectus.
Drua Pty Ltd	Drua Pty Ltd ACN 083 186 467 as trustee for the Neo Family Trust.
DvP	Delivery versus Payment settlement system.
EBITDA	Earnings before interest, taxation depreciation and amortisation, as well as one-off expenses.
EBIT	Earnings before interest and taxation.
Electronic Application Form	The electronic Application Form attached to the electronic version of this Prospectus, available at http://www.foundersfirst.group/investors .
Eligible Employee	Has the meaning ascribed to that term in Section 10.9(a).

Employee	Means a person who is a: (a) full-time or part-time employee of a Group Company (including an executive director); (b) a non-executive director of a Group Company; (c) contractor, being: (i) an individual with whom a Group Company has entered into a contract for the provision of services under which the individual performs work for a Group Company; or (ii) a company with whom a Group Company has entered into a contract for the provision of services under which an individual, who is a director of the company or their spouse, performs work for a Group Company, where the individual who performs the work under or in relation to the contract is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full-time position with a Group Company; or (d) an individual who is, or might reasonably be expected to be, engaged to work the number of hours that are the pro-rata equivalent of 40% or more of a comparable full time position with a Group Company.
Employee Incentive	A Plan Share, Employee Option or Employee Performance Right.
Employee Incentive Plan	The Company's employee incentive plan as summarised in Section 10.9.
Employee Performance Rights	A performance right issued pursuant to the Employee Incentive Plan.
Employee Option	An option issued pursuant to the Employee Incentive Plan.
Escrow Period	The period during which an Escrowed Security is subject to Escrow Restrictions.
Escrow Restrictions	ASX Escrow Restrictions and Voluntary Escrow Restrictions.
Escrowed Securities	A Security which is subject to Escrow Restrictions from Completion, further details of which are set out in Section 8.20 of this Prospectus.
Escrowed Securityholder	A registered holder of an Escrowed Security.
Excluded Information	Has the meaning given to it in section 708A(7) of the Corporations Act.
Exercise Price	The price at which an Option may be exercised in accordance with its terms.
Existing Shares	The Shares on issue immediately prior to Completion of the Offer.
Existing Shareholders	The holders of all of the Shares prior to Completion of the Offer.
Expiry date	The date after which no Shares will be allotted or issued (13 months after the date of this Prospectus).
Exposure Period	The seven day period after the date of lodgement of the Prospectus with ASIC (as extended by ASIC (if applicable)).
FF Operations	Founders First Operations Pty Ltd ACN 630 181 458.
FMI Performance Rights	Performance Rights issued to the vendor of the shares in Founders Momentum on the terms set out in Section 10.11.
Foghorn	Foghorn Brewery Pty Ltd ACN 631 135 414.

11 DEFINED TERMS

Founders First	Founders First Ltd ACN 622 810 897.
Founders Momentum	Founders Momentum International Pty Ltd ACN 634 458 647.
FY	A financial year commencing on 1 July and ending on the 30 June immediately following.
FY20 Results	The Company's Appendix 4E relating to its financial results for the year ending 30 June 2020.
General Proceeds	The gross amount raised under the Offer other than Company Proceeds.
Good Leaver	An Eligible Employee who ceases to be an Employee due to a Special Circumstance or otherwise for reasons other than as a Bad Leaver.
Group	Means the Company and its Associated Bodies Corporate and Group Company means any one of them.
Group Company	Means the Company or any of its Associated Bodies Corporate.
Humanee	Humanee Pty Ltd ACN 167 269 810.
Indemnified Party	Each Director and Company Secretary.
Indie Craft Collective	The Company's sales and services division as further detailed in Section 3.3.2.
Institutional Investor	An investor to whom, in the absolute discretion of the Lead Manager, New Shares are able to be offered under applicable laws without the need for any prospectus, registration or other formality (other than a registration or formality with which the Company is willing to comply), including in Australia, professional investors and sophisticated investors to whom an offer of securities does not need disclosure under Part 6D.2 pursuant to section 708(11) and 708(8) respectively.
Investee	The Partners and any companies in which the Company invests in the future.
Investigating Accountant	RSM Corporate Australia Pty Ltd ABN 82 050 508 024.
IPO	The initial public offering of securities by the Company under this Prospectus.
Jetty Road	Jetty Road Brewery Pty Ltd ACN 603 372 210.
K.Booch	K.BOOCH Alcoholic Kombucha Co Pty Ltd ACN 633 621 173.
Lead Manager	Bell Potter Securities Limited ABN 25 006 390 772.
Listing Rules	The official Listing Rules of ASX as amended or waived from time to time.
Maximum Subscription	The maximum amount to be raised under the Offer, being \$17.5 million.
Minimum Application	The minimum value of an Application that may be submitted under the Offer, being \$2,000.
Minimum Subscription	The minimum aggregate value of Applications which must be received as a condition to the Offer, being \$10 million.
New Share	A Share issued under the Offer.
Nominated Party	A nominated party of an Employee as set out in Section 10.9(p).
Offer	The offer of New Shares to raise between \$10 million and \$17.5 million under this Prospectus as described in Section 8.

Offer Period	The period during which investors may subscribe for Shares under the Offer.
Offer Price	The amount payable by Applicants to the Company for the issue of each New Share under the Offer, being \$0.50 per New Share.
Official List	The official list of entities that ASX has admitted to, and not removed from, listing on the ASX.
Partner	Each of: (a) Jetty Road (b) Foghorn (c) SauceCo (d) SWB (e) Slipstream (f) Ballistic (g) Sparkke (h) Brogan’s Way (i) K.Booch
Performance Rights	Performance rights in the Company.
Plan Share	A Share issued under, or issued on the exercise of an option or Performance Right issued under, the Employee Incentive Plan.
Plan Shares	A Share issued pursuant to the Employee Incentive Plan or a Share that has been converted from a different kind of Employee Incentive.
PPSR	Personal Properties Securities Register.
Privacy Policy	The Company’s privacy policy available at www.foundersfirst.group/copy-of-t-cs .
Prospectus	This Prospectus for the issue of Shares to raise between \$10 million and \$17.5 million (including the electronic form of this Prospectus).
Quotation	Quotation of the Company’s Shares on the Official List of the ASX.
Related Body Corporate	Has the meaning given to it under the Corporations Act.
Related Party	Has the meaning given to it under the Corporations Act.
Retail Investor	An investor who at the opening date of the Offer Period: (a) has a registered address in Australia; (b) is not in the United States; and (c) is not an Institutional Investor or a Broker (acting in their own capacity).
SauceCo	SauceCo Pty Ltd ACN 609 051 952.
Securities	Means securities issued in the capital of the Company.
Services Agreement	An agreement titled “Sales Collective Services Agreement” or “Indie Craft Collective Services Agreement” entered into or to be entered into with Investees.
Settlement Operating Rules	ASX Settlement Operating Rules of ASX Settlement Pty Ltd (ABN 49 008 504 532).
Share	A fully paid ordinary Share in the issued capital of the Company.

11 DEFINED TERMS

Shareholder	A registered holder of a Share.
Share Registry	Computershare Investor Services Pty Ltd ACN 078 279 277.
Slipstream	Slipstream Brewing Company Pty Ltd ACN 614 701 558.
Sparkke	Sparkke Group Holdings Pty Ltd ACN 635 097 504.
Special Circumstance	Means with respect to an Eligible Employee, the termination or cessation of the Eligible Employee's employment with a Group Company as a result of: (a) total and permanent disablement, as determined by the Board; (b) mental illness, as determined by the Board; (c) redundancy, as determined by the Board; or (d) the death, or terminal illness, of the Eligible Employee.
Subsidiary	Has the meaning given to it under the Corporations Act.
Substantial Shareholder	A Shareholder who holds a relevant interest in at least 5% of the issued capital of the Company.
SWB	Something Wild Beverages Pty Ltd ACN 617 551 390.
Voluntary Escrow Period	The period during which Voluntary Escrow Restrictions apply to Voluntary Escrowed Securities.
Voluntary Escrow Restrictions	Voluntary escrow restrictions agreed between certain Shareholders and the Company, as detailed in Section 8.20.
Voluntary Escrowed Securities	Securities which are the subject of Voluntary Escrow Restrictions.

APPENDIX A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A



APPENDIX A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information contained in this Prospectus (“**Financial Information**”) has been prepared in accordance with Australian accounting standards and interpretations issued by the AASB and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Financial information is presented in Australian dollars, which is Founders First’s functional and presentation currency, and is rounded to the nearest whole dollar.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(ii) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed below.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(b) Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

(c) Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

(d) Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group’s current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(e) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

(f) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

(h) Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

(iii) Going Concern

The Financial Information has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group has adopted all of the new or amended accounting standards and interpretations issued by the AASB that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

(i) AASB 9 – Financial Instruments

The Group has adopted AASB 9 from 13 November 2017 (date of incorporation). The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.

All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for trading or contingent consideration recognised in a business combination) in other comprehensive income (“OCI”). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity’s own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an ‘expected credit loss’ (“ECL”) model to recognise an allowance. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

APPENDIX A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) AASB 15 – Revenue from Contracts with Customers

The Group has adopted AASB 15 from 13 November 2017 (date of incorporation). The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

(iii) Impact of adoption

There was no impact on adoption of AASB 9 and AASB 15 on the opening retained earnings or results of operations for the current year.

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Principles of consolidation

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit.

(b) Revenue recognition

The Group recognises revenue as follows:

(i) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

(ii) Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

(iii) Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

(iv) Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(v) Rental income

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

(vi) Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

All revenues are stated net of the amount of goods and services tax.

(c) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities, and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

APPENDIX A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tax consolidation

Founders First Limited (the "head entity") and its wholly-owned subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

CORPORATE DIRECTORY

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Web foundersfirst.group

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Hawthorn East VIC 3123

Proposed ASX Code

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Directors

Mark Haysman, Managing Director

Stuart Morton, Executive Director

Daniel Wales, Executive Director

Robin Levison, Chairman and Non-executive Director

John Hood, Non-executive Director

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Investigating Accountant

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