

First Global issues clarifications and updates and announces resumption of trading



TSX Venture Exchange: FGD

TORONTO, Nov. 1, 2016 /CNW/ - First Global Data Limited ("First Global" or the "Company") would like to advise that on June 24, the TSX Venture Exchange (the "Exchange") halted trading of First Global stock on the Exchange. This halt trade was a result of the Company not meeting a deadline to provide certain information to the Exchange on or before June 23, 2016. The Exchange advised that it will consider reinstating trading when a news release acceptable to the Exchange clarifying a number of matters in the Company's consolidated financial statements is issued.

The Company's Directors and Officers confirm the following clarifying disclosures are now complete and accurate. As a result, the Company's shares will resume trading at the open on November 2, 2016. However, the Exchange's review of the Company's compliance with Exchange Policies and Requirements, including corporate governance practices will continue.

At the request of the Exchange, the Company would like to provide clarification on the following issues made in the Company's previous press releases and consolidated financial statements:

Previous Disclosures

The Company clarifies the following in respect of certain disclosures:

1) Agreement with Blue Money Inc.

In addition to the Company's press release of July 21, 2014, in note 14.1 of the audited December 31, 2014 financial statement, the Company stated:

"On July 21, 2014 the Company entered into an agreement (the "Agreement") with Blue Money Inc. The term of the Agreement is for an initial term of three (3) years with the option to renew for an additional two (2) one (1) year extensions. First Global has agreed to issue to Blue Money an aggregate of 5 million compensation warrants (the "Warrants"). Each Warrant will entitle Blue Money to acquire one (1) common share in the capital of First Global at an exercise price of CDN\$0.50 per common share for a period of three (3) years from date of issuance. The Warrants will be placed into escrow and shall be released from escrow on a quarterly basis. The number of Warrants to be released from escrow shall be based on one (1) Warrant for every two (2) active clients (as such term is defined in the Agreement) that utilize the services provided by the Company pursuant to the Agreement. There were no Warrants issued as at December 31, 2014."

A year later, in note 14.2(c) of the audited December 31, 2015 financial statement, the Company restated the above, while replacing the final sentence with "There are no active clients as of December 31, 2015 and as a result, the Company did not request the approval of the TSX-V for the issuance of securities."

The Company would like to clarify that it has never made an application to the TSX Venture Exchange for approval of the issuance of these warrants, as it is actually the Company's U.S. subsidiary, First Global Money, that is the party thereto. As a result, there was no obligation on the Company to issue any securities under these warrants. The Company intends to correct an initial mistake in our financial statements that suggested itself to be the party. The Company and its Board of Directors confirm that the disclosure related to the business opportunity was accurate, though disclosure related to the issuance of securities made in the December 31, 2014 and December 31, 2015 audited financial statements was an error. The Company and its Board of Directors confirm that since no business activity was conducted under this Agreement there was no material impact on the financials of the Company. Further, no securities were issuable nor issued meaning that the December 31, 2014 and December 31, 2015 audited financial statements and accompanying audit opinions can be relied upon by existing and prospective shareholders. The Board of Directors will ensure that this matter is accurately clarified in the notes to disclosure in the Company's next set of quarterly and annual financial statements.

The Company would like to also advise that, since no business had been conducted under this Agreement and in light of the concerns expressed by the Exchange related to an agreement which has had effectively no material benefit or impact to the Company, both parties mutually agreed to terminate the Agreement on June 20, 2016. There were no warrants ever issued in connection with this Agreement and the Company has not issued, nor is it obligated to issue, any securities or other compensation to Blue Money Inc. The Company will also be correcting the notes to disclosure related to this matter in its next quarterly and annual financial statements.

The Company's auditors confirmed that there is no material adverse impact on the accuracy of the presentation in the December 31, 2014 and December 31, 2015 audited financial statements and that these errors do not modify the audit opinions accompanying these two sets of financial statements.

In order to satisfy its statutory disclosure and filing requirements with the relevant securities regulatory authorities, the Company intends to correct these errors by: (i) first issuing this clarifying press release; (ii) then by ensuring that the notes to the financial statements and MD&A of next set of quarterly financial statements accurately reflect these clarifications; (iii) then by ensuring that the December 31, 2016 audited financial statements reflect such amendments in the notes to the financial statements and MD&A; and (iv) the Company's Board of Directors establishing a Disclosure Control Committee. This committee is an internal management committee comprised of the CEO, the CFO and other key members of the management team. This committee will have the responsibility of a detail review and approval of material disclosures which will include financial statements, notes to the financial statements, and MD&A prior to these documents being provided to the Audit Committee of the Board of Directors.

Note 10.2 of the Company's June 30, 2016 financial statements was incorrect as it states that it was the Company that entered into the agreement and not the subsidiary. This will be corrected in the Company's Q3, 2016 financial statements.

2) Bridge Financing

In note 9.2 of the September 30, 2015 financial statement the Company stated:

"On May 12, 2015 the Company entered into an agreement with a lender for bridge financing for CDN\$812,000. The terms of the agreement is that the lender will provide a short term loan bearing interest of 3% per month for a period of three months ending August 12, 2015. The lender has second ranking general security agreement (GSA) position on all and present and future property of the Company. The C.E.O., C.F.O. and a third party has given personal guarantees to secure this bridge financing. In consideration of the personal guarantees the Company has granted 1,000,000 options to each guarantor, these options are yet to be approved by the TSX-V and are not included in the consolidated financial statements. Also the Company has issued an indemnity for any loss from the personal guarantees to the three individuals in the form of issuing common shares equivalent to the amount of the bridge financing at a strike price at the date the shares are approved to be issued to the three individuals."

The Company notes that these options were never actually granted as there were no options available under the Company's stock option plan (the "Option Plan"). The options were conditional on the Company receiving shareholder approval to amend the Company's Option Plan. As the Company has not received shareholder approval to amend the Option Plan, no options were ever issued. As a result the Company never sought Exchange approval for the issuance of these securities.

The Company would like to further advise that the above loan was subsequently purchased from the lender by a then-arm's length party, 7159618 Manitoba Ltd. – prior to any options ever becoming available in the Company's Option Plan. As a result, the guarantees have been rescinded and there are no current or future obligations to the guarantors as to the issuance of any securities.

3) January 2016 Debt Debenture

The Company issued a news release on January 21, 2016 news which stated "*First Global Data Limited ("First Global" or the "Corporation") would like to announce that it has agreed to convert two (2) loans, in aggregate amount of \$992,383.56 into a convertible debenture (the "Debt Debenture"). The Debt Debenture will bear interest at a rate of 10% per annum, such interest to be paid on a yearly basis. The term of the Debt Debenture will be 36 months from the date of issuance and will be convertible, at the option of the holder, at a price of \$0.05 per share at any time. The issuance of the Debt Debenture is subject to the approval of the TSX Venture Exchange.*"

The Company would like to clarify that the \$992,383 noted above is comprised of principal of \$900,000 and interest of \$92,383. Of the principal, \$500,000 is from a debenture approved by the Exchange Bulletin dated October 24, 2014 (at a rate of 10% per annum, with a two year maturity and conversion of \$0.12 per share) and \$400,000 from a further advance provided by the same investor on February 9, 2015. The \$400,000 advance (the "Advance") was not formally documented since the investor became, subsequent to the above news release, undecided as to his preferred structure/form of investment. To date, the Debt Debenture has not yet been issued and the Advance, and particularly its form and structure, remains subject to final agreement. The Company remains in negotiation with this arm's length party. Upon finalization, the Company will seek approval of the Exchange as required. Although the loan continues to accrue interest, the investor has provided the Company with a payment holiday during which the Company is not required to make any interest payments. There are no restrictions on the use of funds.

In note 9.6 in the June 30, 2016 financial statements, the Company stated:

The Company has agreed to convert the CAD\$500,000 loan to equity and the balance of \$400,000 CAD loan remains as a short term debt. This short term debt was incorrectly recorded as a convertible debenture and should have been recorded as a short term debt without the equity feature.

Note 9.6 is incorrect and must be amended. The Company has not agreed to convert the CAD \$500,000 loan to equity, nor has the investor requested such a conversion. The CAD \$500,000 remains a convertible debenture approved by the Exchange Bulletin dated October 24, 2014. The Company continues to work with the investor to determine how the \$400,000 will be finally booked. These amendments will be made to the Company's Q3, 2016 financial statements.

4) General Security Agreements on Loan

In note 12.2 of the December 31, 2015 audited financial statement, the Company stated:

The Company successfully negotiated the settlement of the Dynamic series A and B debentures and short term loan from GC Global Capital (collectively "Old Loans"). These Old Loans were purchased by 7159618 Manitoba Ltd ("715 Manitoba") and restructured as the New Loan...

The Company should have also noted that the pre-existing General Security Agreements ("GSA") dated February 7, 2013, July 30, 2013 and May 13, 2015 from the Old Loans had also been purchased by 715 Manitoba, then an arm's length party, as part of transaction wherein 715 Manitoba purchased the Old Loans on October 2, 2015 and October 15, 2015, and entered into a loan agreement with the Company on November 15, 2015. Refer to the Company's press release on December 1, 2015 for further details on the transaction.

5) Finsec Financial Services Inc. Convertible Debenture

The Company issued a press release on December 1, 2015 and had stated in its unaudited financial statements of September 30, 2015:

"On September 30, 2015 "Finsec Financial Services Inc. agreed to capitalise all outstanding interest payable and carry a conversion feature for both loans which will bring the new convertible debt to \$1,700,000 and CDN\$500,000. The convertible debt were extended by two year expiring on August 31, 2017 at interest rate of 12% per annum payable monthly and to be converted at CDN\$0.05 per share. Also, if the debt is not repaid at the end of the Term FINSEC has the right to convert to equity. Also if interest payments are not made then FINSEC has the right to accelerate the conversion feature".

The Company would like to clarify that FINSEC is a non-arm's length party, given that the principal of FINSEC is a director of the Company. The Company would like to highlight that the same disclosure is contained in note 12.5 of the audited December 31, 2015 financial statements of the Company with the sole change being that the date of completion for the agreement is to be disclosed as November 30, 2015 (from September 30, 2015). The reason for the discrepancy in dates is that this matter has been discussed between the parties on various occasions and dates, though a formal agreement has never been concluded.

The Company would like to further clarify that although it has capitalized the outstanding interest and that the new capital amount continues to earn interest for the lender, and all terms related to the conversion of such debt to equity remain un-finalized, as a result, disclosure in the financial statements was made prematurely. To date, no documentation for this loan has been formalized or executed. The Company is in discussions with the lender who is a Director of the Company, to finalize the terms and conditions of the extension of this loan, and the disinterested members of the Board of Directors of the Company must review and approve of the final form of this agreement which may or may not include the issuance of securities. As a result, the ability of FINSEC to convert its debt to equity is not currently in effect as all terms remain under negotiation and subject to change. Should the final form of this agreement require the issuance of securities, the Company will seek the approval of the Exchange as required.

The Company and its Board of Directors confirm that save and except for the conversion, all matters related to the extension of this loan have been accurately disclosed and therefore the unaudited September 30, 2015 and audited December 31, 2015 financial statements (and corresponding audit opinion) can still be relied upon by existing and prospective shareholders.

The Company's auditors confirmed that there is no material adverse impact on the accuracy of the presentation in the December 31, 2015 audited financial statements and that these errors do not modify the audit opinions accompanying these financial statements.

In order to satisfy its statutory disclosure and filing requirements with the relevant securities regulatory authorities, the Company intends to correct these errors by: (i) first issuing this clarifying press release; (ii) then by ensuring that the notes to the financial statements and MD&A of next set of quarterly financial statements accurately reflect these clarifications; (iii) then by ensuring that the December 31, 2016 audited financial statements contain these amendments in the notes to the financial statements and MD&A; and (iv) the Company's Board of Directors establishing a Disclosure Control Committee. This committee will have the responsibility of reviewing and approving all material disclosures which will include reviewing notes and disclosures to the financial statements and MD&A.

Additional Disclosures

Retirement of Forbearance Agreement

The Company would like to advise that it had entered into a forbearance agreement with an arm's length lender ("GC-Global Capital Corporation", now "Fountain Asset Corp", or "GCGlobal") on August 31, 2015 for an amount of \$812,000.

Conditions of the forbearance included: (i) that the Company pay GCGlobal an amount of \$100,000 on August 31, 2016; (ii) that the Company pay GCGlobal interest fees of \$105,560; (iii) that GCGlobal receive an authorized and executed warrant to purchase 3,500,000 shares at an exercise price of \$0.11 per share with an expiry date of August 31, 2018; (iv) that the company pay interest in the amount of 4% per month; (v) that on September 9, 2015 the Company pay GCGlobal \$324,345; (vi) that on September 23, 2015 the Company pay GCGlobal \$419,585; (vii) that the Company shall issue an aggregate of 26,000,000 common share certificates in any combination to Paul Van Benthem, Paul Haber and Yoel Altman in connection with the acquisition transaction of LTP Financial;

(viii) that the Company obtain Exchange approval with respect to the issuance and effectiveness of the warrants within 5 business days of the date of the forbearance agreement being entered into, and that the Company notify GCGlobal upon obtaining such approvals.

Prior to this Forbearance, the Company had no intention to release the 26,000,000 common shares until such time as the closing conditions of the LTP Financial acquisition had been met, which never occurred. The Company was however forced to release the 26,000,000 common shares to LTP under this Forbearance on August 31, 2015 per the Exchange Bulletin on April 17, 2015. The Company ultimately never sought approval from the Exchange for the issuance of the above mentioned warrant, nor did it notify GCGlobal of having obtained such approval. As such, the Company does not consider the warrant as having been issued.

All of the above were completed prior to the purchase of the debt from GC Global by 7159618 Manitoba Ltd as noted below.

Moreover, all debt, \$812,000 in total related to the forbearance agreement was purchased by 7159618 Manitoba Ltd., who at the time were an arm's length party (by agreement among 7159618 Manitoba Ltd and GCGlobal) as previously disclosed on December 1, 2015.

As a result, the forbearance agreement was retired. There are no current or future obligation to GCGlobal for the issuance of any securities or forbearance agreement.

Litigation

The Company advises that it had received a default judgment dated December 21, 2015 ("Judgment") against it for monies owing to a non-arm's length lender, Fundeco Inc. ("Fundeco"). The lender is non-arm's length as one of the Company's directors is also a Director of the lender. The current status of the litigation is that counsel for both parties are in the process of negotiating a full and final release on terms that are yet to be finalized.

The litigation alleged that the Company breached a loan agreement dated September 17, 2014 ("Loan Agreement") among the Company and an entity related to Fundeco, Caribank Investment Bank Inc. The Company did not dispute the allegations. The amount borrowed under the Loan Agreement was USD \$600,000, as press released on December 16, 2014, and the amount of the Judgment remains USD \$650,666.89. Among other things, the terms and conditions of the Loan Agreement included:

- a) interest rate of 12% per annum, with interest payable monthly;
- b) all monies advanced with unpaid interest is payable within 15 days of written demand for payment;
- c) the lender will earn a transaction fee of USD \$0.55 per each incremental transaction resulting from funds advanced by the lender, payable monthly;
- d) if the Company is able to secure financing in the amount of USD \$2 million, then an obligation that the amount advanced plus accrued and unpaid interest would become payable immediately;
- e) security for this loan includes:
 - a. First charge on the Company's investment in common shares of Jameson Investment Corporation;
 - b. First charge on any direct investment in Class A common shares of Jameson International Foreign Exchange;
 - c. a lien over proceeds from the sale of Jameson International Foreign Exchange up to the amount of monies loaned by the lender to the Company;
 - d. a General Security Agreement ("GSA") over all present and future property of the Company. This GSA was never perfected and is currently not in place;
- f) the lender shall have signing authority over the accounts such that no monies may be transferred out of the accounts without the prior approval of the lender;
- g) an agreement that the Board of Directors of the Company accept a subscription for additional common shares in the capital of the Company to be issued on the basis of the lesser of USD \$0.10 per share, or the share price established on the last sale of shares of the Company to an arm's length third party provided that such issuance complies with the rules and regulations of the Exchange, and provided that the Company receives prior approval of the Exchange. There is no contractual amount under the subscription obligation nor a term for this commitment to remain in place; and
- h) the lender having the right, at its option, to convert any indebtedness under this loan agreement to common shares of the Company on the basis of the lesser of one common share for each dollar of debt or the share price established on the last sale of shares of the Company to an arm's length third party, with all such conversions being made after prior approval of the Exchange.

The Company would like to clarify that no Exchange approval was sought for the subscription term and the conversion feature. Dependent on the outcome of the litigation, the Company intends to seek approval from the Exchange for the issuance of securities as required.

Indian JV

The Company stated in its press release dated June 9, 2014 and audited December 31, 2014 and audited December 31, 2015 financial statements that:

"The Company entered into a joint venture on May 30, 2014 with RP Telebuy Skyshop (P) Ltd. ("Telebuy") in India (the "JV Company") whereby the Company owns 60% of the issued and outstanding securities of the JV Company".

This disclosure was premature since the Company has not established the JV Company. In addition, there was no activity which would have made a material impact on the Company's financials and, as a result, the Company confirms that the disclosure in the audited December 31, 2014 and December 31, 2015 financial statements and the corresponding audit opinions should still be relied upon by existing and prospective shareholders.

The Company's auditors confirmed that there is no material adverse impact on the accuracy of the presentation in the December 31, 2014 and the December 31, 2015 audited financial statements and that these errors do not modify the audit opinions accompanying these two sets of financial statements.

In order to satisfy its statutory disclosure and filing requirements with the relevant securities regulatory authorities, the Company intends to correct these errors by: (i) first issuing this clarifying press release; (ii) then by ensuring that the notes to the financial statements and MD&A of next set of quarterly financial statements accurately reflect these clarifications; (iii) then by ensuring that the December 31, 2016 audited financial statements contain these amendments in the notes to the financial statements and MD&A; and (iv) the Company's Board of Directors establishing a Disclosure Control Committee. This committee will have the responsibility of reviewing and approving all material disclosures which will include reviewing notes and disclosures to the financial statements and MD&A.

Series G Debentures

As press released on January 21, 2016 and disclosed in note 12.3 of the December 31, 2015 audited financial statements disclose that:

"On December 22, 2015 the Company issued Series G, 14% debentures (the "Debentures") in the aggregate principal amount of CAD\$ 3,430,349 on a non-brokered private placement basis. The Company was able to secure the funds through the interested investors of the Latin American based entity. The Company reassigned the debt secured through the debenture offering (CAD \$3,430,349), including monies loaned to the Latin American company, to a publicly listed company (the "Pubco") and the Pubco continues to service debt payments on the debentures. The Pubco has agreed to lend FGDL CAD \$1,440,486. Terms and conditions of this loan are being negotiated.

The Company would like to clarify that the events surrounding the Series G Debentures are:

- From August 18, 2015 to December 18, 2015, the Company issued Series G, 14% debentures in the aggregate principal amount of CAD\$3,430,349 on a non-brokered private placement basis.
- On August 21, 2015 the Company entered into an agreement with Global Bioenergy SAS ("GBSAS"), an arm's length party based in Colombia, to implement

the Company's mobile payment solution in Colombia and in other countries in Latin America.

- This agreement included the understanding that as the Company secured capital through the Series G debenture offering it would loan a portion of the Series G proceeds to GBSAS for the implementation of the Company's services. GBSAS agreed to pledge its assets in Colombia as collateral for the Series G debenture offering. The agreement provided the Company with a 90 day review period during which it would have the ability to terminate the agreement for non-performance with a break fee of CAD\$ 500,000. The agreement also provided the Company with the ability to assign the monies loaned to GBSAS, along with the funds raised through the Series G debenture offering to an alternate company.
- On December 1, 2015 the Company received written authorization from the President and CEO of Threegold Resources agreeing to accept assignment of the above noted Series G debenture funds for CAD \$3,430,348.51. Pursuant to the terms of the Series G debentures, the debenture holders consented to the Company assigning the debentures to a third party at any time without first obtaining the consent of the debenture holders.
- Up to December 11, 2015 the Company loaned GBSAS a total of CAD \$1,989,862 through multiple 3 year promissory notes at an interest rate of 16% per annum.
- On December 22, 2015, the Company entered into a debt assignment agreement with Threegold Resources ("Threegold"). This agreement included (1) the assignment of debt in the amount of CAD \$3,430,349, (2) the Company receivable from GBSAS from promissory notes of CAD \$1,989,882 loaned to GBSAS, and (3) an understanding that Threegold would loan CAD \$1,440,487 to the Company at a rate of 14% interest for a 3 year term.
- From December 21 to December 22, 2015, the Company continued to receive proceeds from the Series G Debentures in the amount of CAD \$1,030,956. On December 23, 2015 an amount of CAD \$956,969 was provided to GBSAS by way of a 3 year, 16% per annum interest loan from the Company These amounts were not assigned to Threegold.
- On December 29, 2015 the Company formally terminated the agreement with GBSAS. As per the Company's most recent financial statements dated June 30, 2016, of the above, the Company maintains two separate borrowings. The first an amount of CAD \$1,030,956 in Series G debentures. The Company and Threegold had agreed that these amounts would be assigned to Threegold through a second assignment agreement which is yet to be concluded, and Threegold continues to service interest payments associated with these Series G debentures. The second is an amount of CAD \$1,440,487 which is a loan from Threegold. The Company also maintains a receivable in the amount of CAD \$956,969 from GBSAS in a promissory note. The assignment of debt to Threegold was contractual between Threegold and the Company and not implied. In addition, pursuant to the terms of the Series G debentures, the debenture holders consented to the Company assigning the debentures to a third party at any time without first obtaining the consent of the debenture holders. There is no contingent liability to the Company, and as a result, no changes to the Company's financial statements are required. The Company's auditors and legal counsel agree with this interpretation.

Dismissal of the YS Capital Lawsuit

Further to May 6, 2016 press release, on January 11, 2016, YS Capital Inc. commenced a lawsuit against the Company and others on behalf of the LTP Stakeholder Group. On April 29, 2016, the statement of claim in that lawsuit was ordered struck out with costs payable to First Global. The Company is now pleased to announce that this lawsuit was dismissed on October 11, 2016 by order of the Ontario Superior Court of Justice with additional costs payable to First Global.

Commencement of the LTP Lawsuit

On August 24, 2016, 2175015 Ontario Inc. (217 Ontario) commenced an application for leave from the Ontario Superior Court of Justice to begin a lawsuit against the Company on behalf of LTP Inc. for an alleged breach of contract and other relief. To date, 217 Ontario has yet to deliver any affidavits in support of its Application.

First Global is of the opinion that these proceedings are frivolous and completely without merit. The Company will be responding to the application, if it proceeds, and will be seeking an order dismissing the application.

Update on AGM status

The Company had intended to hold its Annual General Meeting on Feb 29/16 though this was subsequently cancelled. The Company is working with the exchange to resolve a shares issuance matter and intends to announce the new AGM date as when that matter is resolved. The Company intends to announce the new AGM date shortly.

About First Global

First Global is an international financial services technology company operating in the payments sector. First Global's services are designed primarily for the domestic and international unbanked and under banked markets. Its two main lines of business are mobile payments and international money transfers. First Global's leading edge technology core enables mobile and online: payments, money transfers, shopping and peer to peer services.

First Global enables its strategic partners and clients around the world with its leading edge financial services technology platform. The Company facilitates the movement of money domestically and internationally in full compliance with regulatory guidelines, maintain a strong focus on compliance.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This press release contains forward-looking statements based on assumptions, uncertainties and management's best estimates of future events. Actual results may differ materially from those currently anticipated. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements are detailed from time to time in the Corporation's periodic reports filed with the Ontario Securities Commission and other regulatory authorities. The Corporation has no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

SOURCE First Global Data Limited

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