



24 February 2023

Market Announcements Platform
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Announcement of Half Year Results 2023

Ellerston Asian Investments Limited (ASX: EAI) hereby lodges:

1. Appendix 4D Statement for the half year ended 31 December 2022
2. Interim Financial Report for the half year ended 31 December 2022

Ellerston Asian Investments Limited (ASX: EAI) Shareholder update

Execution of Implementation Deed in relation to the proposed restructure and new ETMF

The Board of Ellerston Asian Investments Limited (**EAI** or the **Company**) is pleased to announce that it has today executed a transaction implementation deed (**TID**) with Ellerston Capital Limited as responsible entity (**EAGF RE**) of Ellerston Asia Growth Fund (**EAGF**) relating to the restructure of the Company to merge with EAGF and convert to a dual-structure exchange traded managed fund on the ASX AQUA market (**ETMF**).

Under the TID, the Company has agreed to propose and implement a transaction to transfer units in the ETMF to EAI shareholders in exchange for the transfer of the Company's listed investments and the majority of its cash to the ETMF. The transaction is subject to a number of regulatory and shareholder approvals. EAGF RE has agreed to pursue the transaction and assist the Company in proposing and implementing the transaction on and subject to the terms and conditions of the TID.

Bill Best, Chairman said "It remains clear that there are structural issues in the marketplace inherent to a listed investment company that creates a dislocation between the portfolio return and shareholder returns. Although EAI's discount to NTA has narrowed, we remain committed to deliver to those shareholders who desire liquidity at a price more closely approximate to underlying asset value, a clear pathway to redeem closer to NTA while also providing other shareholders with the option to remain invested in the strategy. The Board believes the proposed ETMF structure provides this choice and flexibility."

Overview of proposed transaction

The key steps of the proposed transaction are:

- EAGF RE will apply for admission of EAGF to trading status on the ASX in accordance with the AQUA Rules;
- the Company will transfer its listed investments and the majority of its cash (**Assets**) to the ETMF;
- EAGF RE will issue units in the ETMF to the Company in consideration for the transfer of the Company's Assets;
- the Company will undertake a special dividend to all shareholders and a selective capital reduction to all existing shareholders (being all shareholders apart from one shareholder which will remain in the

Company post-transaction¹). This will effectively involve EAI shareholders exchanging their EAI shares for units in EAGF at a ratio based on EAGF's NAV and EAI's NTA (after costs associated with implementing the transaction) immediately prior to implementation of the transaction. As a result, the value of a shareholder's investment in EAI immediately before the transaction will be equivalent to the value of their investment in EAGF immediately after the transaction; and

- the Company will be removed from the Official List and convert to a proprietary limited company.

Further information about the proposed transaction and the approvals required to implement the transaction will be set out in a shareholder booklet to be provided to shareholders in March/April 2023.

An executed copy of the TID is annexed to this announcement.

Indicative timetable

An indicative timetable for the proposed transaction is provided below.

Event	Indicative Date
Shareholder booklet lodged with ASIC and ASX for review	March 2023
Shareholder meetings convened and shareholder booklet made available to shareholders	March/April 2023
EAGF RE applies for admission of EAGF units to AQUA Trading Status	March/April 2023
Shareholder meetings to approve various aspects of the transaction	April/May 2023
Announcement of the results of the meetings and the record date for the in specie distribution	April/May 2023
Payment of special dividend to shareholders and selective capital reduction, to be satisfied by the in specie distribution EAGF units commence trading on ASX	May 2023
EAI delisted from ASX	May 2023

Conditions

The proposed transaction is subject to a number of conditions precedent, including regulatory and shareholder approvals required under the Corporations Act and the ASX Listing Rules, and to obtaining a report from an independent expert which concludes that the proposed transaction is in the best interests of EAI shareholders.

Recommendation and voting intentions

The Boards of EAI and EAGF have separately considered the proposed transaction and the interests of members in each of EAI and EAGF respectively. The Board of EAI unanimously recommends that EAI shareholders vote in favour of the proposed transaction, in the absence of a superior proposal and subject to

¹ One shareholder as nominated by EAI will not participate in the selective capital reduction, and will be the sole shareholder of EAI on implementation of the transaction when EAI's Assets will be transferred to EAGF. Leaving one shareholder in EAI will remove the need for a liquidation process.

the independent expert concluding and continuing to conclude that the proposed transaction is in the best interests of EAI shareholders.

Subject to the same qualifications, each director of EAI intends to vote any EAI shares in which they have a relevant interest in favour of the proposed transaction.

Similarly, the Board of EAGF has resolved that in the absence of a superior proposal, the proposed transaction is in the best interests of EAGF unitholders.

Next steps

Shareholders are not required to take any action at this time. Shareholders will receive full details of the proposed transaction in the shareholder booklet, which is expected to be made available to all EAI shareholders in March or April 2023.

The shareholder booklet will include notices convening the general meeting and special meeting, the reasons for the EAI Board's recommendation, the product disclosure statement in respect of the ETMF units (which will contain a summary of the ETMF's constitution), a general outline of the taxation implications of the proposed transaction for EAI shareholders and an opinion from an independent expert as to whether the proposed transaction is in the best interests of EAI shareholders.

Investors are cautioned that there is no guarantee that the proposed transaction will proceed and there are a number of steps, including regulatory matters that will need to be addressed before the proposed transaction can be finalised and put to shareholders for approval.

This announcement does not constitute financial product advice and does not take into account the financial circumstances, interests or objectives of particular shareholders. Investors are encouraged to seek their own personal financial advice before taking any action.

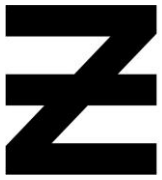
Questions?

If you should have any questions on this change, please don't hesitate to contact Ellerston's Investor Relations team on (02) 9021 7701 or info@ellerstoncapital.com.

Authorised by Ian Kelly, Company Secretary

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**Appendix 4D
Half Year Report for the period Ended 31 December 2022**

Details of the reporting period

Current Period: 1 July 2022 to 31 December 2022
Previous Corresponding Period: 1 July 2021 to 31 December 2021

Results for announcement to the market

	Current period AUD (\$)	% Change from the corresponding period
Revenue from ordinary activities	(6,106,598)	60.70%
Profit/(loss) after tax from ordinary activities	(10,888,747)	11.22%
Net profit/(loss) after tax for the period attributable to ordinary shareholders	(10,888,747)	11.22%

Over the 6 months to 31 December 2022, the portfolio returned net -5.62% (before all taxes) compared to the benchmark MSCI AC Asia Ex Japan (AUD) Index which returned -3.86% for the corresponding period.

Period	EAI Portfolio Return Pre-tax*	MSCI AC Asia Ex Japan (\$AUD) Index
6 Months	-5.62%	-3.86%
1 Year	-19.70%	-15.89%
3 Years p.a.	-4.41%	-2.30%
Since inception p.a.	2.61%	3.94%

* calculated after fees, including dividends paid and reinvested, the effects of the share buyback. Excluding tax and the effects of option exercise dilution over the period.

Dividend Information

Interim dividend declared

3.0 cents per fully paid ordinary share

Fully franked at the tax rate of 25%

From the Dividend Profit Reserve account

Interim dividend dates:

Ex-dividend date

09 March 2023

Record date

10 March 2023

Payment date

29 March 2023

Details of dividend reinvestment plan (DRP)

The Board of the Company has determined that in relation to the 2022 interim dividend the DRP will not apply.

Net tangible assets (NTA) per ordinary share

	Current period AUD (\$)	Previous corresponding period AUD (\$)
NTA before all taxes (i)**	0.8635	1.1483
NTA after realised tax (ii)	0.8635	1.1483
NTA after tax	0.8812	1.1556

- (i) All figures are after the payment of dividends and taxes. The current period NTA is after dividends paid of 3.0 cents per share and after tax paid of 0.0 cents per share over the 6 months to 31 December 2022.
- (ii) Net Tangible Assets after realised tax includes a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

** The EAI return calculation for 1 year to 31 December 2022 is as follows: Closing NTA before all taxes \$0.8635 + dividends (including return on investment) \$0.0312 = \$0.8947 less Opening NTA before all taxes \$0.9481 = -5.62%

Control gained or lost over entities during the period

N/A

Details of associates and joint venture entities

The Company did not have any interest in any associates or joint venture entities during both the current period and the previous corresponding period.

Accounting standards used by foreign entities

N/A – The Company is an Australian Entity.

Qualification of audit

The interim report for the period ended 31 December 2022 is not subject to review dispute or qualification.



.....
Bill Best
Chairman

24 February 2023

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2022

Ellerston Asian Investments Limited

ASX: EAI

ABN 82 606 683 729

Interim Report

For the half-year ended 31 December 2022

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The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the period ended 30 June 2022 and any public announcements made by Ellerston Asian Investments Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The directors of Ellerston Asian Investments Limited (the "Company") present their report together with the financial statements of the Company for the half-year ended 31 December 2022.

Directors

The following persons were directors of the Company during the period and up to the date of this report:

NAME	DIRECTORSHIP	APPOINTED
Bill Best	Independent Non-Executive Director, Chairman	14 December 2018
Sam Brougham	Independent Non-Executive Director	23 July 2015
Marian Carr	Independent Non-Executive Director	1 December 2020

Company Secretary

The following person was Company Secretary during the period and up to the date of this report:

NAME	APPOINTED
Ian Kelly	25 June 2015

Ian Kelly, BA LLB (Hons)

Ian Kelly has been the Company Secretary of Ellerston Asian Investments Limited for 8 years. He has been a practising solicitor for over 14 years.

Principal activities

The Company is a listed investment company (ASX: EAI) established to construct a concentrated portfolio of between 20 to 50 Asian securities.

Review and results of operations

The operating results of the Company for the half-year ended on 31 December 2022 and 31 December 2021 are:

	Half-year ended	
	31 December 2022	31 December 2021
	\$	\$
Net loss before income tax	(7,207,289)	(17,239,819)
Net loss after income tax	(10,888,747)	(12,265,497)

	As of	
	31 December 2022	31 December 2021
	\$	\$
Net tangible assets per share (NTA)		
- before tax (i)	0.8635	1.1483
Net tangible assets per share (NTA)		
- after realised tax (ii)	0.8635	1.1483
Net tangible assets per share (NTA)		
- after tax	0.8812	1.1556

The Net Tangible Assets as at 31 December 2022 is based on fully paid ordinary shares of 124,168,061 (31 December 2021:128,567,083).

Directors' Report (continued)

Review and results of operations (continued)

- (i) During the half-year ended 31 December 2022 dividends of 3.00 cents per share (31 December 2021: 3.00 cents per share) and tax of 0.00 cents per share (31 December 2021: 5.5 cents per share) were paid.
- (ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains and deferred tax, which are represented in the Net Tangible Assets after tax line.

For the 12 month period to 31 December 2022, the Company returned -19.70% (December 2021: -3.21%) on a before-tax basis and 0.00% (December 2021: -2.72%) on an after-tax basis, while the return of its benchmark MSCI AC Ex-Japan Index (AUD) was -15.89% (December 2021: -0.62%).

For the half-year to 31 December 2022, the Company returned -5.62% (December 2021: -9.69%) on a before-tax basis and -11.39% (December 2021: -7.26%) on an after-tax basis, while the return of its benchmark MSCI AC Asia Ex-Japan (AUD) was -3.86% (December 2021: -8.39%).

On 23 September 2022, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commencing on 27 September 2022 and continuing until 26 September 2023 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During the six months to 31 December 2022, a total of 2,540,559 shares had been bought back.

Strategy and future outlook

The Company is predominantly invested in equities, with a focus upon the equities of Asian domiciled companies. The Company will continue to pursue its objective of generating superior returns for shareholders over time, with a focus on risk management and capital preservation.

On 24 February 2023, the directors announced that they have executed a Transaction Implementation Deed with Ellerston Capital Limited as responsible entity of the Ellerston Asia Growth Fund (EAGF) relating to the restructure of the Company to merge with EAGF and convert to a dual-structure exchange traded managed fund on the ASX AQUA market (ETMF) in order to minimise the discount of the traded price of the shares to the Net Tangible Assets (NTA) per share and to deliver to those shareholders who desire liquidity at a price more closely approximate to the underlying net asset value.

The directors believe that the orderly conversion to a dual access ETMF structure is the most appropriate path to liquidity while enabling a return closer to NTA and have announced to shareholders the overview of the proposed transaction, the indicative timetable, conditions, recommendations and next steps.

Dividends

On 24 February 2023, the directors declared an interim dividend of 3.0 cents per fully paid ordinary share, franked at the 25% tax rate. This dividend is expected to have a record date of 10 March 2023 and a payment date of 29 March 2023. The DRP is suspended and will not operate for this interim dividend.

On 30 August 2022, the directors declared a fully franked dividend of 3 cents per fully paid ordinary shares of \$3,751,755, which was paid to the shareholders on 23 September 2022.

More details of dividend payments are provided under Note 3 on page 12 of the report.

Dividend Profit Reserve

The Company may transfer any current year or prior period accumulated profits not distributed as dividends to a Dividend Profit Reserve. Doing so facilitates the payment of future dividends, rather than maintaining these profits within retained earnings.

The balance of the dividend profit reserve as of 31 December 2022 is \$13,676,532 (30 June 2022: \$17,428,287).

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the half-year ended 31 December 2022.

Directors' Report (continued)

Matters subsequent to the end of the interim period

Other than the dividends declared as mentioned in the dividends section and the items outlined in the Strategy and future outlook section, no other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

- (i) the operations of the Company in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Company in future financial years.

Likely developments and expected results of operations

The Company provides monthly updates and daily NTA estimate announcements, which can be found in the announcements section of the ASX website and in the Ellerston Asian Investments Limited section of the Ellerston Capital website, <https://ellerstoncapital.com/listed-investment-companies/ellerston-asian-investments>."

As markets continue to be subject to fluctuations, it is neither possible to accurately forecast the investment returns of the Company nor to provide a detailed outlook on the Company's future operations.

As noted above, the directors intend to seek shareholder approval prior to 30 June 2023 to implement a conversion of the Company to an ETMF.

Rounding of amounts to the nearest dollar

The Company is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 5.

Signed in accordance with a resolution of the directors.



Bill Best
Chairman

24 February 2023



**Building a better
working world**

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Auditor's independence declaration to the directors of Ellerston Asian Investments Limited

As lead auditor for the review of the half-year financial report of Ellerston Asian Investments Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive script.

Rita Da Silva
Partner
24 February 2023

Statement of Comprehensive Income

	Notes	Half-year ended	
		31 December 2022	31 December 2021
		\$	\$
Investment income			
Interest income from financial assets measured at amortised cost		223,270	2,053
Dividend income		826,296	1,227,764
Net foreign exchange gains/(losses)		155,682	(116,339)
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		(7,311,846)	(16,662,278)
Other income		-	12,291
Total net investment loss		(6,106,598)	(15,536,509)
Expenses			
Directors fees		59,194	45,375
Management and performance fees	14	468,551	664,220
Custody and administration fees		92,188	67,650
Audit and tax fees		44,139	27,418
Registry fees		50,885	25,625
Transaction costs		142,199	587,092
Withholding taxes		118,926	217,125
ASX fees		30,248	30,792
Insurance fees		73,198	-
Other expenses		21,163	38,013
Total operating expenses		1,100,691	1,703,310
Net (loss) before income tax		(7,207,289)	(17,239,819)
Income tax (expense)/benefit	10	(3,681,458)	4,974,322
Net (loss) after income tax		(10,888,747)	(12,265,497)
Other comprehensive income/(loss)		-	-
Total comprehensive (loss)		(10,888,747)	(12,265,497)
Basic and diluted earnings per share (cents)	12	(8.71)	(9.45)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

Statement of Financial Position

		As at	
	Notes	31 December 2022 \$	30 June 2022 \$
Current assets			
Cash and cash equivalents	9	8,101,682	10,077,249
Receivables		117,231	305,514
Due from brokers		17,886,985	13,369,932
Current tax asset		496,241	496,241
Financial assets at fair value through profit or loss	6	82,612,138	97,376,960
Total current assets		109,214,277	121,625,896
Non-current assets			
Deferred tax asset	10	1,697,424	5,378,882
Total non-current assets		1,697,424	5,378,882
Total assets		110,911,701	127,004,778
Current liabilities			
Payables		198,261	134,802
Management and performance fees payable	14	73,397	79,013
Due to brokers		-	787,252
Financial liabilities at fair value through profit or loss	7	1,222,851	440
Total current liabilities		1,494,509	1,001,507
Total liabilities		1,494,509	1,001,507
Net assets		109,417,192	126,003,271
Equity			
Issued capital	11	123,766,461	125,712,038
Retained losses		(28,025,801)	(17,137,054)
Dividend profit reserve	8	13,676,532	17,428,287
Total equity		109,417,192	126,003,271

The above Statement of Financial Position should be read in conjunction with the accompanying notes to the financial statements.

Statement of Changes in Equity

	Notes	Issued capital \$	Retained earnings/ (losses) \$	Dividend profit reserve \$	Total \$
Balance as at 1 July 2022		125,712,038	(17,137,054)	17,428,287	126,003,271
Total comprehensive loss for the period		-	(10,888,747)	-	(10,888,747)
Shares bought back	11	(1,945,577)	-	-	(1,945,577)
Total dividends paid	8	-	-	(3,751,755)	(3,751,755)
Balance as at 31 December 2022		<u>123,766,461</u>	<u>(28,025,801)</u>	<u>13,676,532</u>	<u>109,417,192</u>
Balance as at 1 July 2021		130,395,264	32,822,752	4,614,947	167,832,963
Total comprehensive loss for the period		-	(12,265,497)	-	(12,265,497)
Shares bought back	11	(3,092,613)	-	-	(3,092,613)
Transfer to dividend profit reserve account	8	-	(16,654,970)	16,654,970	-
Total dividends paid	8	-	-	(3,906,306)	(3,906,306)
Balance as at 31 December 2021		<u>127,302,651</u>	<u>3,902,285</u>	<u>17,363,611</u>	<u>148,568,547</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Statement of Cash Flows

	Notes	Half-year ended	
		31 December 2022	31 December 2021
		\$	\$
Cash flows from operating activities			
Purchase of financial instruments at fair value through profit or loss		(13,635,697)	(84,462,281)
Proceeds from sale of financial instruments at fair value through profit or loss		22,777,234	100,758,033
Amounts transferred to brokers as collateral		(5,316,742)	(5,331,610)
Dividends received		922,936	1,016,390
Interest received		223,889	2,053
Other income received		45,297	31,108
Income tax paid		-	(6,659,834)
Management and performance fees paid		(474,167)	(680,362)
Custody and administration fees paid		(87,188)	(92,650)
Transaction costs paid		(142,199)	(587,092)
Other expenses paid		(293,567)	(347,727)
Net cash inflow from operating activities		<u>4,019,796</u>	<u>3,646,028</u>
Cash flows from financing activities			
Dividends paid		(3,751,755)	(3,906,306)
Shares bought back		(1,945,577)	(3,092,613)
Net cash (outflow) from financing activities		<u>(5,697,332)</u>	<u>(6,998,919)</u>
Net (decrease) in cash and cash equivalents		(1,677,536)	(3,352,891)
Cash and cash equivalents at the beginning of the period		10,077,249	16,185,812
Effect of foreign currency exchange rate changes on cash and cash equivalents		(298,031)	(28,254)
Cash and cash equivalents at the end of the period	9	<u>8,101,682</u>	<u>12,804,667</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

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1 General information

This interim report is for Ellerston Asian Investments Limited (the “Company”) for the half-year ended 31 December 2022.

The Company was incorporated and registered on 25 June 2015 and commenced trading on the Australian Stock Exchange (“ASX”) on 15 September 2015.

The Company is a for-profit entity limited by shares, incorporated and domiciled in Australia. Its shares (ASX code: EAI) are publicly traded on the ASX.

The interim report was authorised for issue by the directors on 24 February 2023. The directors have the power to amend and reissue the interim report.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the previous financial year, unless otherwise stated in the following text.

(a) Basis of preparation

This half-yearly interim report as at 31 December 2022 is a general purpose financial report and has been prepared in accordance with the *Corporations Act 2001*, AASB 134: *Interim Financial Reporting* and other applicable disclosure requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

The interim financial report has also been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. This interim report is presented in Australian dollars, unless otherwise noted.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the Company’s annual report for the period ended 30 June 2022 and public announcements made in respect of the Company during the half-year ended 31 December 2022 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The Company is a for-profit entity for the purpose of preparing interim financial statements.

(b) Changes in accounting standards

The significant accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Company’s financial statements for the year ended 30 June 2022.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the half-year beginning 1 July 2022 that had a material impact on the amounts recognised in the prior periods or affect the current period.

(c) New standards, amendments and interpretations not yet adopted

Certain new accounting standards and interpretations have been published by the Australian Accounting Standards Board that are not mandatory for the interim period beginning 1 July 2022, and have not been early adopted by the Company. The directors have considered these standards and interpretations and have concluded that they will not have a material impact on the financial report of the Company.

(d) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which forms the basis of the carrying values of assets and liabilities. As such, actual results could differ from those estimates. The Company’s significant

2 Summary of significant accounting policies (continued)

(d) Critical accounting estimates and judgements (continued)

accounting estimates and judgements include fair value measurement of financial assets and financial liabilities that are not traded in an active market. Details on the determination of fair value are provided in note 5(ii). Judgement was also exercised in determining the recoverability of deferred tax assets for the accounting period, with reference to expected market performance. The utilisation of tax losses depends on the ability of the Company to generate future taxable profits and general market movements.

3 Dividends

Dividends are recognised during the period when declared.

	Half-year ended			
	31 December 2022		31 December 2021	
	CPS*	\$	CPS*	\$
Paid - 23 September 2022 (5 October 2021) Fully franked at 25.0% tax rate (2021: 30.0%)	3.00	3,751,755	3.00	3,906,306
Amount of dividends reinvested		-		-
Amount of cash dividends paid		3,751,755		3,906,306

*cents per share

Dividend profit reserve

To the extent that any current period profits are not distributed as dividends, the Company may set aside some or all of the undistributed profits to a separate dividend profit reserve, to facilitate the payment of future dividends, rather than maintaining these profits within retained earnings. For further information refer to note 8.

4 Segment information

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

The Company operates in one business segment being equity investment, and in one geographic segment, Australia, however the Company has foreign exposures as it invests in companies which operate internationally.

5 Fair value measurement

The Company measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Equity securities
- Derivatives

The Company has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy;

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

5 Fair value measurement (continued)

- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded prices.

The Company values its investments in accordance with the Company's accounting policies. For the majority of its investments, the Company relies on information provided by independent pricing services for the valuation of its investments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Company would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

The fair value of an equity derivative or contract for difference is determined as the difference between the price based on the quoted market prices of the underlying financial asset or financial liability between the time at which a contract is opened and the time at which it is closed.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

5 Fair value measurement (continued)

Recognised fair value measurement

The table below sets out the Company's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 31 December 2022 and 30 June 2022.

As at 31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	81,998,965	-	-	81,998,965
Derivatives	<u>139</u>	<u>613,034</u>	-	<u>613,173</u>
Total financial assets at fair value through profit or loss	<u>81,999,104</u>	<u>613,034</u>	-	<u>82,612,138</u>
Financial liabilities at fair value through profit or loss				
Derivatives	-	<u>1,222,851</u>	-	<u>1,222,851</u>
Total financial liabilities at fair value through profit or loss	<u>-</u>	<u>1,222,851</u>	-	<u>1,222,851</u>
As at 30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	95,219,530	-	-	95,219,530
Derivatives	<u>34,858</u>	<u>2,122,572</u>	-	<u>2,157,430</u>
Total financial assets at fair value through profit or loss	<u>95,254,388</u>	<u>2,122,572</u>	-	<u>97,376,960</u>
Financial liabilities at fair value through profit or loss				
Derivatives	-	<u>440</u>	-	<u>440</u>
Total financial liabilities at fair value through profit or loss	<u>-</u>	<u>440</u>	-	<u>440</u>

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There were no transfers between levels in the fair value hierarchy for the half-year ended 31 December 2022 and year ended 30 June 2022.

(ii) Fair value measurements using significant unobservable inputs (level 3)

There were no investments classified as level 3 within the Company as at 31 December 2022 and 30 June 2022.

(iii) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of cash and cash equivalents, receivables and payables approximate fair value.

6 Financial assets at fair value through profit or loss

	As at	
	31 December 2022	30 June 2022
	\$	\$
Financial assets at fair value through profit or loss		
Equity securities	81,998,965	95,219,530
Derivatives	<u>613,173</u>	<u>2,157,430</u>
Total financial assets at fair value through profit or loss	<u>82,612,138</u>	<u>97,376,960</u>

7 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2022	30 June 2022
	\$	\$
Financial liabilities at fair value through profit or loss		
Derivatives	<u>1,222,851</u>	440
Total financial liabilities at fair value through profit or loss	<u>1,222,851</u>	<u>440</u>

8 Dividend profit reserve

	As at	
	31 December 2022	30 June 2022
	\$	\$
Movements in Dividend Profit Reserve		
Balance at the beginning of the period	17,428,287	4,614,947
Transferred from current year profits	-	20,567,914
Payment of dividend	<u>(3,751,755)</u>	<u>(7,754,574)</u>
Closing balance at the end of the period	<u>13,676,532</u>	<u>17,428,287</u>

9 Cash and cash equivalents

	As at	
	31 December 2022	30 June 2022
	\$	\$
Cash at bank and custodian	7,196,116	9,181,967
Deposits at call	<u>905,566</u>	<u>895,282</u>
Total cash and cash equivalents	<u>8,101,682</u>	<u>10,077,249</u>

10 Income tax

	As at	
	31 December 2022	31 December 2021
(a) Reconciliation of income tax expense to prima facie tax benefit/(expense):	\$	\$
(Loss)/profit before income tax	(7,207,289)	(17,239,819)
Prima facie income tax benefit/(expense) calculated at 25% (2021: 25%)	1,801,822	4,309,955
Tax effect of withholding tax and foreign income tax offset	-	(16,815)
Non-recognition of deferred tax asset	(5,453,549)	732,380
Prior year and other adjustments	(29,731)	(51,198)
Total net income tax benefit/(expense)	(3,681,458)	4,974,322
(b) Income tax expense composition:		
Current income tax expense	-	-
Deferred income tax benefit/(expense)	(3,681,458)	4,974,322
Total net income tax benefit/(expense)	(3,681,458)	4,974,322
	31 December 2022	30 June 2022
(c) Deferred tax (liabilities)/assets comprise of temporary differences attributed to:	\$	\$
Unrealised losses on investments held on revenue account	1,711,400	2,236,347
Dividends	(13,903)	(81,252)
Tax losses	-	3,220,548
Other	(73)	3,238
Total net deferred tax asset/(liability)	1,697,424	5,378,882
As at 31 December 2022, the Company has carried forward losses of \$31,221,254 (30 June 2022: \$24,132,891) of which \$24,431,559 (30 June 2022: \$2,617,364) was not recognised as it was not considered probable that taxable profit and unrealised gains will be available against which the deductible temporary differences can be utilised after consideration of the impact of the planned conversion of the Company to an exchange traded managed fund (ETMF). If the Company was able to recognise all unrecognised deferred tax assets as at 31 December 2022, profit and equity would have increased by \$6,107,890 (June 2022: \$654,341).		
(d) Imputation credits:		
Total imputation credits available in subsequent financial years*	4,558,844	5,403,785

*The above amount represents the balance of imputation credits at 31 December 2022 and 30 June 2022 adjusted for income tax paid/payable and franked dividends receivable. The Company's ability to pay franked dividends is dependent upon receipt of franked dividends and the Company paying tax.

11 Issued capital

	As at 31 December 2022	
	No. of Securities	\$
Ordinary		
Opening balance - 1 July 2022	126,708,620	125,712,038
Shares bought back during the half-year	<u>(2,540,559)</u>	<u>(1,945,577)</u>
Total issued capital - fully paid ordinary shares	<u>124,168,061</u>	<u>123,766,461</u>
Total issued capital	<u>124,168,061</u>	<u>123,766,461</u>

	As at 31 December 2021	
	No. of Securities	\$
Ordinary		
Opening balance - 1 July 2021	131,322,696	130,395,264
Shares bought back during the half-year	<u>(2,755,613)</u>	<u>(3,092,613)</u>
Total issued capital - fully paid ordinary shares	<u>128,567,083</u>	<u>127,302,651</u>
Total issued capital	<u>128,567,083</u>	<u>127,302,651</u>

(a) Terms and conditions

Ordinary shares

Fully paid ordinary shares entitle the holder to receive dividends as declared and the proceeds on winding up the Company in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person, or by proxy, at a meeting of the Company.

On 24 September 2021, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commenced 27 September 2021 and continuing until 26 September 2022 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During the six months to 31 December 2021, the Company had bought back 2,755,613 shares in total, 2.14% of its issued ordinary shares.

On 23 September 2022, the Company announced a renewal of its on-market buy-back as part of its ongoing capital management program of up to 10% of its shares, commencing on 27 September 2022 and continuing until 26 September 2023 unless the maximum number of shares are bought back prior to this date or EAI decides to cease the buy-back. During the six months to 31 December 2022, the Company had bought back 2,540,559 shares in total, 2.05% of its issued ordinary shares.

12 Earnings per share

	Half-year ended	
	31 December 2022	31 December 2021
Basic losses per share (cents)	(8.71)	(9.45)
Diluted losses per share (cents)	(8.71)	(9.45)
Weighted average number of ordinary shares		
Weighted average number of ordinary shares on issue used in calculating basic earnings per share	<u>124,996,049</u>	<u>129,849,767</u>
Weighted average number of ordinary shares on issue used in calculating diluted earnings per share	<u>124,996,049</u>	<u>129,849,767</u>
Earnings reconciliation		
Net (loss) after income tax used in the calculation of basic and diluted (losses) per share (\$)	<u>(10,888,747)</u>	<u>(12,265,497)</u>

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on exercise of any options during the period.

13 Net tangible assets per share

	As at	
	31 December 2022	30 June 2022
	\$	\$
Net tangible assets per share		
Net Tangible Assets before all taxes (i)	0.8635	0.9481
Net Tangible Assets after realised tax (ii)	0.8635	0.9481
Net Tangible Assets after tax	0.8812	0.9944

The Net Tangible Assets as at 31 December 2022 is based on fully paid ordinary shares of 124,168,061 (June 2022: 126,708,620).

(i) All figures are after the payment of dividends and taxes. During the half-year ended 31 December 2022 dividends of 0.03 (30 June 2022: 0.06) and tax of 0.00 (30 June 2022: 0.05) were paid.

(ii) Net Tangible Assets after realised tax includes tax paid and a provision for tax on realised gains from the Company's Investment Portfolio. It excludes any tax on unrealised gains/(losses) and deferred tax, which are represented in the Net Tangible Assets after tax.

14 Management and performance fees

Under the Management Agreement, dated 27 July 2015, the Company must pay the Investment Manager a Management Fee as determined with respect to the scale set out below based on the pre tax net asset value of the Investment Portfolio.

For the first AUD\$50 million of net asset value the Investment Manager is entitled to 0.95% Management Fees per annum.

14 Management and performance fees (continued)

Any amount by which the net asset value exceeds AUD\$50 million the Investment Manager is entitled to 0.75% Management Fees per annum.

The Management Fee is calculated exclusive of GST and accrued each month and paid monthly in arrears.

In addition, the Investment Manager will be entitled to receive a Performance Fee from the Company equal to 15% (plus GST) of the amount by which the Investment Portfolio's pre tax return exceeds the return of the MSCI AC Asia Ex Japan Index (\$AUD), calculated and accrued monthly and paid annually in arrears.

A Performance Fee will be payable only if the Investment Portfolio's pre tax return exceeds the return of the MSCI AC Asian Ex Japan Index (\$AUD) for the financial year. Any negative performance fee amount will be carried forward to the following financial year. No Performance Fee will be payable in respect of that financial year and the negative Performance Fee amount will be carried forward to the following financial year or financial years until the negative performance has been recouped. For the half-year 31 December 2022, the Company has not accrued the performance fee (31 December 2021: nil) as the criteria for recognising performance fee were not met.

	31 December 2022	31 December 2021
	\$	\$
Management fees expense	468,551	664,220
Management fees payable	73,397	99,797

15 Contingent assets, liabilities and commitments

The Company has no material commitments, contingent assets or liabilities as at 31 December 2022 and 30 June 2022.

16 Events occurring after the reporting period

On 24 February 2023, the directors declared an interim dividend of 3.0 cent per fully paid ordinary share, fully franked at the 25% corporate tax rate. The dividend will have a record date of 10 March 2023 and will be paid to shareholders on 29 March 2023 from the Company's dividend profit reserve account. The Dividend Reinvestment Plan (DRP) will not operate in conjunction with this dividend.

On 24 February 2023, the directors announced that they have executed a Transaction Implementation Deed with Ellerston Capital Limited as responsible entity of the Ellerston Asia Growth Fund (EAGF) relating to the restructure of the Company to merge with EAGF and convert to a dual-structure ETMF in order to minimise the discount of the traded price of the shares to the Net Tangible Assets (NTA) per share and to deliver to those shareholders who desire liquidity at a price more closely approximate to the underlying net asset value.

The directors believe that the orderly conversion to a dual access ETMF structure is the most appropriate path to liquidity and have announced to shareholders the overview of the proposed transaction, the indicative timetable, conditions, recommendations and next steps.

No other significant events have occurred since the end of the reporting period and up to the date of this report which would impact on the financial position of the Company disclosed in the Statement of Financial Position as at 31 December 2022 or on the results and cash flows of the Company for the period ended on that date.

Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 19 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*;
 - (ii) giving a true and fair view of the Company's financial position as at 31 December 2022 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Bill Best
Chairman
24 February 2023



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Independent auditor's review report to the members of Ellerston Asian Investments Limited

Conclusion

We have reviewed the accompanying half-year financial report of Ellerston Asian Investments Limited (the Company), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Company's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva'.

Rita Da Silva
Partner
Sydney
24 February 2023

Corporate directory

Directors

Bill Best
Sam Brougham
Marian Carr

Company Secretary

Ian Kelly

Registered Office

c/- Ellerston Capital Limited
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Auditor

Ernst & Young
Ernst & Young Centre
200 George Street
SYDNEY NSW 2000

Manager

Ellerston Capital Limited
ACN 110 397 674
Level 11, 179 Elizabeth Street
SYDNEY NSW 2000

Share Registry

Link Market Services Limited
Level 12, 680 George Street
SYDNEY NSW 2000

Securities Exchange Listing

ASX code (ordinary shares): EAI



Transaction Implementation Deed

Ellerston Asian Investments Limited (**EAI**)

ACN 606 683 729

and

Ellerston Capital Limited (**EAGF RE**)

ABN 34 110 397 674

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THIS DEED is made on 24th February 2023

BETWEEN:

- (1) **Ellerston Asian Investments Limited** ACN 606 683 729 whose registered office is at Level 11, 179 Elizabeth Street, Sydney, NSW 2000 (**EAI**); and
- (2) **Ellerston Capital Limited** ABN 34 110 397 674 as the responsible entity (**EAGF RE**) of Ellerston Asia Growth Fund (**EAGF**) whose registered office is at Level 11, 179 Elizabeth Street, Sydney, NSW 2000.

RECITALS:

- (A) EAGF RE and EAI have agreed that, subject to the terms and conditions set out in this document, EAGF RE and EAI will pursue the Transaction.

THE PARTIES AGREE AS FOLLOWS:

1. **INTERPRETATION**

1.1 **Definitions**

The following definitions apply in this document.

\$ means Australian Dollars.

ACCC means the Australian Competition and Consumer Commission.

AEST means Australian Eastern Standard Time, being the time in Sydney, New South Wales.

Announcement means a press release, announcement or other public statement.

Applicable Regulatory Requirements includes applicable laws, ASIC regulatory guides and ASX Listing Rules.

AQUA Trading Status means authorisation by ASX for the Units (being the AQUA Products, as that term is defined in the ASX Operating Rules) to be traded on the market operated by ASX.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, where the context requires, the financial market that it operates.

ASX Listing Rules means the listing rules of ASX or such replacement rules as adopted by ASX from time to time.

ASX Operating Rules means the ASX Operating Rules or such replacement rules as adopted by ASX from time to time.

Authorisation means:

- (a) an approval, authorisation, consent, declaration, exemption, licence, notarisation, permit or waiver, however it is described, including any renewal or amendment and any condition and any modification or relief from the application of any law, attaching to it from or by a Government Agency; and

- (b) in relation to anything that could be prohibited or restricted by law, if a Government Agency acts in any way within a specified period, the expiry of that period without that action being taken.

Board means the board of directors of EAI.

Business Day means a day that is a "business day" within the meaning of the ASX Listing Rules and is not a Saturday, Sunday or public holiday in Sydney, New South Wales.

Capital Reduction means the selective capital reduction under Part 2J.1 of the Corporations Act pursuant to which the Shares of Exiting Shareholders will be cancelled for consideration comprising the Capital Reduction Distribution.

Capital Reduction Distribution means the capital distribution payable in relation to each Exiting Shareholder's Share, pursuant to the Capital Reduction.

Cash Reserve means the cash retained by EAI.

Claim, in relation to a person, means any claim, allegation, cause of action, proceeding, liability, suit or demand made against the person concerned however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

Competing Proposal means any proposal or offer (including a non-binding proposal or offer) that would, if completed substantially in accordance with its terms, result in:

- (a) any person (either alone or together with one or more associates of it), other than EAGF RE, directly or indirectly:
- (i) acquiring control of EAI within the meaning of section 50AA of the Corporations Act; or
 - (ii) acquiring voting power of more than 10% in EAI, or acquiring an interest (including an economic interest by way of an equity swap, contract for difference or similar transaction or arrangement) in more than 10% of the Shares in EAI; or
 - (iii) acquiring an interest in all or a substantial part of the assets or business of EAI; or
 - (iv) otherwise acquiring or merging with EAI (including by way of reverse takeover, reverse scheme of arrangement or dual listed company structure or other synthetic merger); or
- (b) the Transaction not being capable of being implemented, or requiring EAI to abandon or not to proceed with the Transaction, in accordance with this document.

Condition Precedent means a condition precedent set out in clause 3.2.

Corporate Group, in respect of:

- (a) EAI, means the EAI Group; and
- (b) EAGF RE, means EAGF RE Group.

Corporations Act means the *Corporations Act 2001* (Cth).

Delisting means the removal of EAI from the official list of ASX.

EAGF RE Group means EAGF RE and its related bodies corporate.

EAGF RE Share means a fully paid ordinary share in EAGF RE.

EAI Assets means EAI's assets to be transferred to EAGF under the Transaction, being those assets which are permitted under ASX Operating Rule 10A.3.3.

EAI Group means EAI and its subsidiaries (each of EAI and each such subsidiary being a member of the EAI Group).

EAI Shareholder means a person entered in the Register as a holder of EAI Shares.

Effective Date means the date when the Capital Reduction will take effect, to be specified in the Shareholder Booklet and no earlier than 14 days after the date when the Resolutions are approved and lodged with ASIC by EAI.

End Date means 30 June 2023, subject to any extension to that date made under clause 3.5 below.

Exiting Shareholder means each Shareholder apart from the Remaining Shareholder.

Explanatory Memorandum means the explanatory memorandum which forms part of the Shareholder Booklet.

Foreign Shareholder means a Shareholder whose address as recorded in the Register on the Record Date is not in Australia (or its external territories) and New Zealand unless EAI and EAGF RE determine that it is lawful and not unduly onerous or impracticable for it to issue New EAGF Units to the Shareholder.

General Meeting means the meeting of Shareholders to consider the relevant Resolutions.

Government Agency means:

- (a) a government or government department or other body;
- (b) a governmental, semi-governmental or judicial person including a statutory corporation; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law,

whether in Australia or elsewhere, including the ACCC, ASIC, ASX and any self-regulatory organisation established under statute or by ASX.

GST Law means the same as "GST Law" in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Implementation means the implementation of the Transaction.

Implementation Date means the date of completion of acquisition of the EAI Assets by EAGF RE and the date when the In Specie Distribution will be made, to be specified in the Shareholder Booklet.

Independent Expert means the independent expert appointed by EAI to prepare the Independent Expert's Report.

Independent Expert's Report means a report made by the Independent Expert in accordance with ASIC Regulatory Guide 111 stating whether or not, in the Independent Expert's opinion, the Transaction is fair and reasonable and/or in the best interests of EAI Shareholders and setting out the Independent Expert's reasons for that opinion.

Insolvency Event means, in respect of a person:

- (a) an administrator being appointed to the person;
- (b)
 - (i) a controller or analogous person being appointed to the person or any of the person's property;
 - (ii) an application being made to a court for an order to appoint a controller, provisional liquidator, trustee for creditors or in bankruptcy or analogous person to the person or any of the person's property; or
 - (iii) an appointment of the kind referred to in subparagraph (ii) being made (whether or not following a resolution or application);
- (c) the holder of a Security Interest, or any agent on its behalf, appointing a controller or taking possession of any of the person's property (including seizing the person's property within the meaning of section 123 of the PPSA) or otherwise enforcing or exercising any rights under the Security Interest or Chapter 4 of the PPSA, in each case where the amount owed to that creditor is \$500,000 or more;
- (d) the person being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand;
- (e) an application being made to a court for an order for its winding up;
- (f) an order being made, or the person passing a resolution, for its winding up;
- (g) the person:
 - (i) suspending payment of its debts, ceasing (or threatening to cease) to carry on all or a material part of its business, stating that it is unable to pay its debts or being or becoming otherwise insolvent; or
 - (ii) being unable to pay its debts as and when they fall due or otherwise insolvent;
- (h) the person taking any step (other than a step required or authorised under this document) toward entering into a compromise or arrangement with, or assignment for the benefit of, any of its members or creditors;
- (i) a court or other authority enforcing any judgment or order against the person for the payment of money or the recovery of any property; or
- (j) any analogous event under the laws of any applicable jurisdiction.

In Specie Distribution means an in-specie distribution of EAGF Units held by EAI to the relevant Shareholders, comprising a Special Dividend and a Capital Reduction Distribution in the case of Exiting Shareholders, and comprising a Special Dividend in the case of the Remaining Shareholder.

Loss includes any loss, damage, liability, obligation, compensation, fine, penalty, charge, payment, cost or expense (including any legal cost and expense) however it arises and whether it is present or future, fixed or unascertained, actual or contingent but excluding any consequential or indirect loss, economic loss or loss of profits.

New EAGF Units means new fully paid ordinary Units by EAGF to be issued to EAI in consideration for the transfer of EAI Assets, with the number of New EAGF Units to be calculated under the terms of the EAGF constitution.

Notice means the notice(s) of meeting(s) to form part of the Shareholder Booklet.

PPS Security Interest means a security interest that is subject to the PPSA.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means 5.00pm (AEST) on the date to be specified in the Shareholder Booklet.

Register means the register of members of EAI.

Regulatory Conditions means the Conditions Precedent in clauses 3.2(a) and 3.2(b).

Relevant Date, in relation to a Condition Precedent, means the date or time specified in this document for its fulfilment subject to any extension to that date or time made under clause 3.5.

Remaining Shareholder means the Shareholder that will be excluded from participating in the Capital Reduction, as determined by EAI.

Resolutions means the resolutions required to implement the Transaction to be set out in the Shareholder Booklet, including but not limited to the resolutions required to give effect to the Capital Reduction at the General Meeting and Special Meeting and to give effect to the Delisting of EAI at the General Meeting.

Responsible Entity means Ellerston Capital Limited (ACN 110 397 674).

Security Interest means any security interest, including:

- (a) a PPS Security Interest;
- (b) any other mortgage, charge, pledge or lien; or
- (c) any other interest or arrangement of any kind that in substance secures the payment of money or the performance of an obligation, or that gives a creditor priority over unsecured creditors in relation to any property.

Selective Capital Reduction means the reduction of capital under Part 2J.1 by cancellation of Shares held by the Exiting Shareholders.

Share means a fully paid ordinary share in the capital of EAI.

Shareholder means the holder of a Share.

Shareholder Booklet means the Notice of Meeting and the Explanatory Memorandum.

Special Dividend means a special dividend which EAI may determine to pay Shareholders under the Transaction of an amount per Share to be specified in the Shareholder Booklet.

Special Meeting means the meeting of Exiting Shareholders for the purpose of approving, among other things, the Selective Capital Reduction under Part 2J.1 of the Corporations Act.

Timetable means the timetable for Implementation as set out in Schedule 1, subject to any modifications as the parties may agree in writing.

Transaction means the transaction involving the steps outlined in clause 2.2.

Unit means a unit in EAGF.

Warranty means a representation or warranty made or given by a party under this document.

1.2 Rules for interpreting this document

Headings and catchwords are for convenience only, and do not affect interpretation. The following rules also apply in interpreting this document, except where the context makes it clear that a rule is not intended to apply.

- (a) A reference to:
 - (i) a legislative provision or legislation (including subordinate legislation) is to that provision or legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it;
 - (ii) a document (including this document) or agreement, or a provision of a document (including this document) or agreement, is to that document, agreement or provision as amended, supplemented, replaced or novated;
 - (iii) a party to this document or to any other document or agreement includes a permitted substitute or a permitted assign of that party;
 - (iv) a person includes any type of entity or body of persons, whether or not it is incorporated or has a separate legal identity, and any executor, administrator or successor in law of the person; and
 - (v) anything (including a right, obligation or concept) includes each part of it.
- (b) A singular word includes the plural, and vice versa.
- (c) A word which suggests one gender includes the other genders.
- (d) If a word or phrase is defined, any other grammatical form of that word or phrase has a corresponding meaning.
- (e) If an example is given of anything (including a right, obligation or concept), such as by saying it includes something else, the example does not limit the scope of that thing.
- (f) The following words and expressions have the same meanings as given by the Corporations Act: **associate, controller, entity, officer, related body corporate, relevant interest, voting power, security, security interest** and **subsidiary**.
- (g) A reference to **\$** or **dollar** is to Australian currency.
- (h) The expression **this document** includes the agreement, arrangement, understanding or transaction recorded in this document.
- (i) Terms defined in the GST Law have the same meaning in this documents unless the context otherwise requires.
- (j) A reference to time in this document is a reference to time in Sydney, New South Wales.

1.3 Non-Business Days

If the day on or by which a person must do something under this document is not a Business Day the person must do it on or by the previous Business Day.

2. TRANSACTION

2.1 Agreement to pursue the Transaction

- (a) EAI and EAGF RE agree to pursue the Transaction on and subject to the terms of this document, and must use all reasonable endeavours to do so in accordance with the Timetable.
- (b) Each party agrees to assist each other party in good faith, to propose and implement the Transaction subject to the terms of this document, and must use all reasonable endeavours to do so in accordance with the Timetable.

2.2 Transaction Steps

The parties agree that the Transaction will involve the following steps, subject to all required Conditions Precedent being satisfied or waived in accordance with this document:

- (a) EAI will prepare the Shareholder Booklet for the General Meeting and the Special Meeting. EAGF RE will provide such information as EAI reasonably requires for this purpose, including information relating to EAGF;
- (b) EAI and EAGF RE will seek such Authorisations from Government Agencies as are required for the purposes of the Transaction;
- (c) EAI will call the General Meeting and the Special Meeting and prepare and issue the Shareholder Booklet;
- (d) EAGF RE will apply for EAGF to be admitted to AQUA Trading Status on the ASX as a dual-structure exchange traded managed fund, to take effect on Implementation;

If the Resolutions are approved by the Shareholders at the General Meeting and the Exiting Shareholders at the Special Meeting:

- (e) EAI will transfer the EAI Assets to EAGF;
- (f) EAGF RE will issue New EAGF Units to EAI in consideration for the transfer of the EAI Assets;
- (g) EAI will:
 - (i) determine to pay the Special Dividend to all Shareholders, to be franked to the maximum extent possible; and
 - (ii) undertake the Capital Reduction to Exiting Shareholders to be satisfied by the Capital Reduction Distribution,

payment of the Special Dividend and Capital Reduction Distribution will be satisfied by the In Specie Distribution; and

- (h) EAI will seek its removal from the Official List of the ASX.

2.3 Foreign Shareholders

In relation to Foreign Shareholders, the parties agree that a nominee may be appointed by EAI (**Sale Agent**) to sell the New EAGF Units on-market such that the Net Proceeds of Sale (being the amount remaining from the total proceeds of sale of the New EAGF Units issued to the Sale Agent, after deducting the expenses of sale and of appointing the Sale Agent)

can be distributed to Foreign Shareholders on a pro-rata basis, and/or the New EAGF Units will automatically be redeemed for the Foreign Shareholders.

3. **CONDITIONS PRECEDENT**

3.1 **Transaction subject to Condition Precedents being satisfied or waived**

Subject to this clause 3, Implementation will not take place, and the obligations of EAGF RE with respect to Implementation are not binding, unless and until each Condition Precedent is satisfied or waived under clause 3.3.

3.2 **Conditions Precedent**

The Conditions Precedent are as follows, to be satisfied by 8.00am on the Effective Date or earlier:

Condition Precedent	Party / parties for whose benefit the Condition Precedent is included
Regulatory Conditions	
(a) (AQUA approval) ASX grants conditional approval for EAGF to be admitted to AQUA Trading Status;	EAGF RE and EAI
(b) (other Authorisations) all other Authorisations which EAI and EAGF RE agree in writing are necessary for Implementation are obtained;	EAGF RE and EAI
Approvals for Transaction	
(c) (approval by Shareholders) the Resolutions being approved by the Shareholders;	EAGF RE and EAI
(d) (approval by EAGF unitholders) the Transaction being approved by EAGF unitholders, if required;	EAGF RE and EAI
ASX Quotation of New EAGF Units	
(e) (Quotation) the New EAGF Units are approved for quotation on ASX AQUA either unconditionally or subject only to conditions customarily imposed by ASX;	EAGF RE and EAI

Condition Precedent	Party / parties for whose benefit the Condition Precedent is included
Other Conditions Precedent for EAGF RE's benefit	
(f) (EAI Warranties) each of the Warranties given or made by EAI under this document is true and correct as at the time it is given or made;	EAGF RE
Other Conditions Precedent for EAI's benefit	
(g) (Independent Expert's Report) the Independent Expert issues an Independent Expert's Report which concludes that the Transaction is in the best interests of EAI Shareholders and the Independent Expert does not change its conclusion or withdraw its Independent Expert's Report.	EAI
(h) (EAGF RE Warranties) each of the Warranties given or made by EAGF RE under this document is true and correct as at the time it is given or made.	EAI
(i) (tax opinion) EAI being satisfied (acting reasonably) with the contents of the opinion provided by its tax advisor setting out the tax implications of the Transaction.	EAI
Other Conditions Precedent	
(a) (Competing Proposal) No Competing Proposal is made or announced.	EAI
(b) (EAI board) the board of EAI resolves and maintains that the Transaction is in the best interests of the members of EAI.	EAGF RE
(c) (EAGF board) the board of EAGF RE resolves and maintains that the Transaction is in the best interests of the members of EAGF.	EAI

3.3 **Benefit and waiver of Conditions Precedent**

- (a) Each Condition Precedent is included for the benefit of only the party or parties specified opposite the Condition Precedent in the table in clause 3.2.

- (b) The breach or non-fulfilment of a Condition Precedent is waived only if:
 - (i) where the Condition Precedent is included for the benefit of only one party – that party waives the breach or non-fulfilment of the Condition Precedent by notice in writing to the other party; or
 - (ii) where the Condition Precedent is included for the benefit of both parties – both parties agree in writing to waive the breach or non-fulfilment of the Condition Precedent.
- (c) A party for whom a Condition Precedent is included must not waive the breach or non-fulfilment of the Condition Precedent if it would result in a breach of law.
- (d) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver precludes the party from suing another party for any breach of this document that resulted in the breach or non-fulfilment of the Condition Precedent.

3.4 **Fulfilment of Conditions Precedent**

Each party must:

- (a) use its reasonable endeavours (other than waiver) to ensure and procure that each Condition Precedent is satisfied as soon as practicable after the date of this document and in accordance with the Timetable;
- (b) not take any action or refrain from taking any action (except as required by law) designed to prevent any Conditions Precedent being satisfied, without the prior consent of the other party;
- (c) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (d) promptly inform the other party of any circumstances of which it becomes aware which may result in any of the Conditions Precedent not being satisfied in accordance with its terms; and
- (e) promptly advise the other party of the satisfaction of a Condition Precedent.

However, for the avoidance of doubt, nothing in this document obliges a party to waive the breach or non-fulfilment of a Condition Precedent.

3.5 **If a Condition Precedent is not fulfilled or waived**

- (a) If:
 - (i) any Condition Precedent is not satisfied and (where capable of waiver) not waived by the relevant time for that Condition Precedent; or
 - (ii) a Condition Precedent ceases to be capable of being satisfied, or a circumstance occurs which is reasonably likely to result in a Condition Precedent not being capable of being satisfied, and the Condition Precedent is not waived under clause 3.3 or cannot be waived,
 then:
 - (iii) in a case where sub-paragraph 3.5(a)(i) or (ii) applies – a party for whose benefit the Condition Precedent is included; and
 - (iv) in a case where sub-paragraph 3.5(a)(ii) applies – either party,

may give a notice (**discussion notice**) to the other party under this clause 3.5(a).

- (b) If a discussion notice is given under clause 3.5(a), the parties:
 - (i) must consult in good faith to determine whether the Transaction may proceed by way of alternative means or method so as to achieve a substantially similar commercial outcome; and
 - (ii) may agree to extend the Relevant Date of the Condition Precedent or the End Date (or both).
- (c) If:
 - (i) the parties do not reach agreement within five Business Days after a discussion notice is given by a party entitled to give such a notice and the relevant Condition Precedent is not waived under clause 3.3 or cannot be waived, a party for whose benefit the Condition Precedent is included (unless the breach or non-fulfilment of the Condition Precedent is due to a breach of this document by that party) may terminate this document under clause 6.1; or
 - (ii) the Transaction does not become Effective on or before the End Date, either party may terminate this document under clause 6.2.

4. **IMPLEMENTATION**

4.1 **Parties' obligations**

The parties must as expeditiously as practicable take all necessary steps to propose and implement the Transaction and use all reasonable endeavours to do so by no later than the End Date, including by taking each of the steps applicable to it as described in clause 2.

5. **REPRESENTATIONS AND WARRANTIES**

5.1 **EAI Warranties**

EAI represents to EAGF RE and its directors and officers (in its own right and separately as trustee or nominee for each of them) that:

- (a) no information (other than the information provided by EAGF RE and the Independent Expert's Report) contained in the Shareholder Booklet, as at the date the Shareholder Booklet is made available to Shareholders, will contain (to the best of EAI's knowledge, information and belief, after due enquiry) any statement which is materially misleading or deceptive, including by way of material omission from that statement;
- (b) EAI is a validly existing corporation registered under the laws of its place of incorporation;
- (c) the execution and delivery of this document has been properly authorised by all necessary corporate action of EAI;
- (d) EAI has full corporate power and lawful authority to execute and deliver this document and to perform or cause to be performed its obligations under this document; and
- (e) this document does not conflict with or result in the breach or default under any provision of the EAI constitution or any material term or provision of any agreement

or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

5.2 **EAGF RE Warranties**

EAGF RE represents to EAI and its directors and officers (in its own right and separately as trustee or nominee for each of them) that:

- (a) the information provided by EAGF RE for inclusion in the Shareholder Booklet, as at the date the Shareholder Booklet is made available to Shareholders, will (to the best of EAGF RE's knowledge, information and belief, after due enquiry) not contain any statement which is materially misleading or deceptive, including by way of material omission from that statement;
- (b) EAGF RE will, as a continuing obligation, provide to EAI all further or new information which it becomes aware of after the Shareholder Booklet has been made available to Shareholders until the date of the General Meeting and Special Meeting which is necessary to ensure that there would be no breach of clause 5.2(a) if it applied as at the date on which that information arose;
- (c) EAGF RE is a validly existing corporation registered under the laws of its place of incorporation;
- (d) the execution and delivery of this document has been properly authorised by all necessary corporate action of EAGF RE;
- (e) EAGF RE has full corporate power and lawful authority to execute and deliver this document and to perform or cause to be performed its obligations under this document, including under the EAGF constitution; and
- (f) this document does not conflict with or result in the breach or default under any provision of the EAGF constitution or any material term or provision of any agreement or any writ, order or injunction, judgment, law, rule or regulation to which it is party or subject or by which it is bound.

6. **TERMINATION**

6.1 **Transaction for breach or non-fulfilment of a Condition Precedent**

If a party becomes entitled to terminate this document under clause 3.5(c)(i), the party may do so by giving notice in writing to the other party.

6.2 **Termination if Transaction not approved by the End Date**

A party may terminate this document by notice in writing to the other party if:

- (a) a Competing Proposal is announced;
- (b) a court or another government agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Transaction, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review; or
- (c) the Conditions Precedent have not been satisfied or waived by the End Date and the parties have not agreed to extend such date, provided that a party may not terminate the agreement if the relevant Condition Precedent has not been satisfied or

agreement cannot be reached as a result of that party's breach of the agreement, or a deliberate act or omission of that party.

6.3 Termination for breach

A party may terminate this document by notice in writing to the other party if the other party is in material breach of this document and, to the extent that the breach is capable of remedy, that breach is not remedied by the breaching party within five Business Days of receiving notice of the breach and the non-breaching party's intention to terminate.

6.4 Termination for Insolvency Event

A party may terminate this document by notice in writing given to the other party if an Insolvency Event occurs in relation to the other party.

6.5 Termination by agreement

The parties may terminate this document by written agreement.

6.6 Effect of termination

- (a) If a party terminates this document pursuant to this clause 6, this document will be of no further force or effect other than the rights and Claims of the parties that accrued before termination and the rights and obligations of the parties under the Surviving Clauses.
- (b) The **Surviving Clauses** are as follows:
 - (i) clause 5 (*Representations and warranties*);
 - (ii) this clause 6 (*Termination*);
 - (iii) clause 7 (*Announcement*);
 - (iv) clause 8 (*GST*);
 - (v) clause 9 (*Notices*);
 - (vi) clause 10 (*Limitation of Responsible Entity's liability*);
 - (vii) clause 11 (*Amendment and Assignment*); and
 - (viii) clause 12 (*General*).
- (c) The termination of this document does not affect any Claim that a party may have against another party where that Claim arose before this document is terminated.

7. ANNOUNCEMENTS

7.1 No Announcement

Neither party may make an Announcement relating to the subject matter of this document or its termination unless the Announcement:

- (a) is required to be made by the party under this document;
- (b) has the prior approval of the other party; or
- (c) is required to be made by the party because of Applicable Regulatory Requirements.

7.2 **Parties to consult one another regarding Announcements**

If a party is required to make an Announcement because of Applicable Regulatory Requirements, the party must (if and to the extent it can do so without this causing it to contravene Applicable Regulatory Requirements) give to the other party:

- (a) such notice as is reasonable in the circumstances of its intention to make the Announcement; and
- (b) a draft of the Announcement it proposes to make and an opportunity to comment on the contents of the draft Announcement.

The party must take into account any reasonable comments of the other party on the draft Announcement.

8. **GST**

8.1 **GST pass on**

If GST is or will be payable on a supply made under or in connection with this document, to the extent that the consideration otherwise provided for that supply under this document is not stated to include an amount for GST on the supply:

- (a) the consideration otherwise provided for that supply under this document is increased by the amount of that GST; and
- (b) the recipient must make payment of the increase as and when the consideration otherwise provided for, or relevant part of it, must be paid or provided or, if the consideration has already been paid or provided, within seven days of receiving a written demand from the supplier.

8.2 **Tax Invoice**

The right of the supplier to recover any amount in respect of GST under this document on a supply is subject to the issuing of the relevant tax invoice or adjustment note to the recipient except where the recipient is required to issue the tax invoice or adjustment note.

8.3 **Consideration exclusive of GST**

Any consideration otherwise provided for a supply or payment obligation in connection with this document is exclusive of GST unless stated otherwise.

8.4 **Adjustments**

If there is an adjustment event in relation to a supply which results in the amount of GST on a supply being different from the amount in respect of GST already recovered by the supplier, as appropriate, the supplier within 14 days of becoming aware of the adjustment event:

- (a) may recover from the recipient the amount by which the amount of GST on the supply exceeds the amount already recovered by giving seven days written notice; or
- (b) must refund to the recipient the amount by which the amount already recovered exceeds the amount of GST on the supply to the extent that the supplier is entitled to a refund or credit from the Commissioner of Taxation; and
- (c) must issue an adjustment note or tax invoice reflecting the adjustment event in relation to the supply to the recipient within 28 days of the adjustment event except

where the recipient is required to issue the adjustment note or tax invoice in relation to the supply.

8.5 **Reimbursements**

Costs actually or estimated to be incurred or revenue actually or estimated to be earned or lost by a party that is required to be reimbursed or indemnified by another party, or used as the basis for calculation of consideration for a supply, under this document must exclude the amount of GST referable to the cost to the extent to which an entitlement arises or would arise to claim an input tax credit and in relation to revenue must exclude any amount in respect of GST referable to the revenue.

9. **NOTICES**

9.1 **How to give a notice**

A notice, consent or other communication under this document is only effective if it is:

- (a) in writing, signed by or on behalf of the person giving it;
- (b) addressed to the person to whom it is to be given; and
- (c) either:
 - (i) sent by pre-paid mail (by airmail, if the addressee is overseas) or delivered to that person's address; or
 - (ii) sent in electronic form (such as email).

9.2 **When a notice is given**

A notice, consent or other communication that complies with this clause is regarded as given and received:

- (a) if it is sent by delivered, if received:
 - (i) by 5.00 pm (local time in the place of receipt) on a Business Day - on that day; or
 - (ii) after 5.00 pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day - on the next Business Day;
- (b) if it is sent by mail:
 - (i) within Australia - three Business Days after posting; or
 - (ii) to or from a place outside Australia - seven Business Days after posting; and
- (c) if it is sent in electronic form:
 - (i) by 5.00 pm (Sydney time) on a Business Day - on that Business Day; or
 - (ii) after 5.00 pm (Sydney time) on a Business Day, or on a day that is not a Business Day - on the next Business Day.

9.3 **Address for notices**

A person's mail and email address are those set out below, or as the person notifies the sender:

EAI

Address: C/O level 11, 179 Elizabeth Street, Sydney, NSW 2000
Email Address: bill@williambest.com.au
Attention: Bill Best, Chairman

EAGF RE

Address: Level 11, 179 Elizabeth Street, Sydney, NSW 2000
Email Address: IKelly@ellerstoncapital.com
Attention: Ian Kelly, Company Secretary

10. **LIMITATION OF RESPONSIBLE ENTITY'S LIABILITY**

- (a) EAI agrees that EAGF RE enters into this document as trustee and responsible entity of EAGF and in no other capacity.
- (b) EAI agrees that the liability of EAGF RE to EAI is limited to the amount that EAGF RE actually receives in the exercise of its right of indemnity against the assets of EAGF.
- (c) EAI may enforce its rights under this document against EAGF RE only to the extent of EAGF RE's right of indemnity out of the assets of EAGF.
- (d) If EAI does not recover all money owing to it by enforcing the rights referred to in clause 10(c), it may not seek to recover the shortfall by:
 - (i) bringing proceedings against EAGF RE in its personal capacity; or
 - (ii) applying to have EAGF RE wound up or proving in the winding up of EAGF RE unless another creditor has initiated proceedings to wind up EAGF RE.
- (e) EAI waives its rights and releases against EAGF RE from any personal liability whatsoever, in respect of any loss or damage which:
 - (i) it may suffer as a result of EAGF RE's non-performance of its obligations under this document; and
 - (ii) cannot be paid or satisfied out of the assets of EAGF out of which EAGF RE is entitled to be indemnified in respect of any liability incurred as trustee.
- (f) The limitation in this clause 10 does not apply to the extent that any liability of EAGF RE arises from fraud, gross negligence or breach of trust by EAGF RE as the trustee of EAGF. For these purposes, EAI agrees that EAGF RE cannot be regarded as having acted fraudulently, with gross negligence or in breach of trust to the extent to which the fraud, gross negligence or breach of trust has been contributed to by a failure of EAI to fulfil its obligations under this document or any other act or omission of EAI or any other person.
- (g) Nothing in clause 10(f) will make EAGF RE liable for any claim for an amount greater than the amount which EAGF RE would have been able to claim and recover from the assets of EAGF in relation to the relevant liability if EAGF RE's right of indemnification out of the assets of EAGF had not been prejudiced by EAGF RE's failure to properly perform its duties.

- (h) EAGF RE is not obliged to do or refrain from doing anything under this document (including incur any liability) unless EAGF RE's liability is limited in the same manner as set out above in this clause 10.
- (i) EAI acknowledges and agrees that in respect of any liability or obligation incurred by EAGF RE under or arising out of this document, it will not be permitted to set off liabilities or obligations against it or have any recourse to the assets of any managed investment scheme or trust of which EAGF RE is the responsible entity or trustee, other than EAGF.
- (j) This clause 10 applies despite any other provision of this document and extends to all liabilities and obligations of EAGF RE in any way connected with any representations, warranty, conduct, omission, agreement or transaction related to this document. In the event of any inconsistency, this clause 10 prevails and survives termination of this document.

11. AMENDMENT AND ASSIGNMENT

11.1 Amendment

This document can only be amended or replaced by another document executed by the parties.

11.2 Assignment

A party may only assign, encumber, declare a trust over or otherwise deal with its rights under this document with the prior written consent of the other party.

12. GENERAL

12.1 Governing law

- (a) This document and any dispute arising out of or in connection with this document is governed by the laws of Sydney, New South Wales.
- (b) Each party submits to the non-exclusive jurisdiction of the courts of the State of New South Wales, and courts of appeal from them, in respect of any proceedings arising out of or in connection with this document. Each party irrevocably waives any right it has to object to any legal process being brought in those courts including any claim that the process has been brought in an inconvenient forum or that those courts do not have jurisdiction.

12.2 Liability for expenses

Unless otherwise agreed between the parties, each party must pay its own expenses incurred in negotiating, preparing, executing and registering this document.

12.3 Giving effect to this document

Each party must do anything within its power (including execute any document) that the other party may reasonably require to give full effect to this document.

12.4 Variation of rights

The exercise of a right partially or on one occasion does not prevent any further exercise of that right in accordance with the terms of this document. Neither a forbearance to exercise a right nor a delay in the exercise of a right operates as an election between rights or a variation of the terms of this document.

12.5 No partnership or agency

Nothing in this document is to be treated as creating a partnership and, except as specifically provided in this document, no party may act as agent of or in any way bind another party to any obligation.

12.6 Operation of this document

- (a) Subject to paragraph (b), this document contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this document and has no further effect.
- (b) Any right that a person may have under this document is in addition to, and does not replace or limit, any other right that the person may have.
- (c) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

12.7 Consents

Where this document contemplates that a party may agree or consent to something (however it is described), unless this document expressly contemplates otherwise, the party may:

- (a) agree or consent, or not agree or consent, in its sole and absolute discretion; and
- (b) agree or consent subject to conditions.

12.8 No merger

No provisions of this document merge on Implementation.

12.9 Inconsistency with other documents

If this document is inconsistent with any other document or agreement between the parties, this document prevails to the extent of the inconsistency.

12.10 Counterparts

This document may be executed in counterparts. Delivery of a counterpart of this document by email attachment constitutes an effective mode of delivery.

SCHEDULE 1

Timetable

Note: The dates in this timetable are high level and indicative only and are subject to change.

Event	Date
EAI convenes the General Meeting and Special Meeting and releases Shareholder Booklet	March/April 2023
EAGF applies for admission of EAGF Units to AQUA Trading Status	March/April 2023
General Meeting to approve the Resolutions Special Meeting to approve the Selective Capital Reduction	April/May 2023
Announcement of the results of the Meeting and the Special Meeting and the Record Date for the In Specie Distribution	April/May 2023
Payment of Special Dividend to Shareholders and Capital Reduction for Exiting Shareholders, to be satisfied by the In Specie Distribution EAGF Units commence trading on ASX	May 2023
EAI delisted from ASX	May 2023

EXECUTED as a deed.

EXECUTED by **Ellerston Asian Investments Limited:**



Signature of director

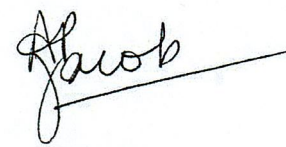
Samuel Rogy
Name



Signature of director/secretary

William D. SBB
Name

EXECUTED by **Ellerston Capital Limited**
as responsible entity of Ellerston Asia
Growth Fund:



Signature of director

ASHOK JACOB
Name



Signature of director/secretary

IAN KELLY
Name