

Appendix 4E

Preliminary Final Report To the Australian Securities Exchange

Name of Entity	Aurora Absolute Return Fund
ARSN:	110 303 430
Financial Year Ended:	30 June 2019
Previous Corresponding Reporting Period:	30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2019 \$'000	Percentage increase /(decrease) over corresponding period
Revenues from continuing operations	(836)	63.24%
Loss for the year	(1,355)	47.09%
Net loss for the year attributable to members	(1,355)	47.09%

Distribution information	Cash per unit	Franked amount per unit
2019 final distribution	\$0.0014	\$0.0000
2018 interim distribution	\$0.0050	\$0.0000

Final distribution dates

Ex-entitlement date	28 June 2019
Record date	1 July 2019
Last election date for the DRP	1 July 2019
Payment date	19 August 2019

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation and the final distribution of \$0.0014 per unit qualifies. The number of units received from the distribution is based on dividing the distribution by the DRP price as at 30 June 2019.

Unit holders may change their participation in the DRP at any time. However, in order to be valid, the election form to change participation must be submitted to the unit registry by the last election date.

Net Tangible Asset Backing

	30 June 2019	30 June 2018
Net tangible assets per security	\$0.1832	\$0.3563

This report is based on the financial statements which are in the process of being audited. This document comprises the information as required by Listing Rule 4.3A.

Appendix 4E Contents and checklist of requirements

1. Reporting period and corresponding period.	Refer to Page 1 of this Appendix 4E.
2. Results for announcement to the market.	Refer to Page 1 of this Appendix 4E.
3. Statement of comprehensive income.	Refer to Page 3 of this Appendix 4E.
4. Statement of financial position.	Refer to Page 4 of this Appendix 4E.
5. Statement of cash flows.	Refer to Page 6 of this Appendix 4E.
6. Statement of changes in equity.	Refer to Page 5 of this Appendix 4E.
7. Details of dividends or distributions.	Refer to Page 1 of this Appendix 4E.
8. Details of dividend or distribution reinvestment plans in operation and the last date of receipt of an election notice for participation in any dividend or distribution reinvestment plan.	Refer to Page 1 of this Appendix 4E.
9. Net tangible assets per security.	Refer to Page 1 of this Appendix 4E.
10. Details of entities over which control has been gained or lost during the period.	Not applicable.
11. Details of joint venture entities and associated entities.	Not applicable.
12. Any other information needed by an investor to make an informed assessment of the entity's financial performance and financial position.	Refer to Pages 7-10 of this Appendix 4E.
13. Accounting standards used in compiling reports by foreign entities.	Not applicable.
14. A commentary on the results for the period.	Refer to Page 7 of this Appendix 4E.
15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed.	This report is based on financial statements which are in the process of being audited.
16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification a description of the likely dispute or qualification.	At this stage, it is likely that the audit report will be unqualified.
17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.	Not applicable.

Financial Statement

Statement of profit or loss and other comprehensive income For the year ended 30 June 2019

	2019 \$	2018 \$
Investment income		
Interest income	29	58
Dividend and distribution income	53,852	276,031
Net gains/(losses) on financial instruments held at fair value through profit or loss	(890,135)	(2,550,055)
Total net investment income/(loss)	(836,254)	(2,273,966)
Expenses		
Recoverable costs of Responsible Entity	67,773	67,773
Other operating expenses	112,772	131,309
Legal fees	338,658	87,482
Total operating expenses	519,203	286,564
Operating profit/(loss) for the year	(1,355,457)	(2,560,530)
Finance costs attributable to unitholders		
Distributions to unitholders	(51,993)	(190,488)
Decrease in net assets attributable to unitholders	1,407,450	2,751,018
Profit/(loss) for the year	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	-	-
Earnings/(loss) per unit (basic/ diluted)	(0.072)	(0.300)

Financial Statement

Statement of financial position As at 30 June 2019

	2019 \$	2018 \$
Assets		
Cash and cash equivalents	115	74
Dividends receivable	39,155	24,459
Receivables	1,972	1,770
Financial assets held at fair value through profit or loss	2,068,280	2,958,414
Total assets	2,109,522	2,984,717
Liabilities		
Distributions payable	34,448	24,341
Redemption payable	2,982	4,337
Provision for legal fees	336,651	-
Other payables	246,270	65,010
Total liabilities (excluding net assets attributable to unitholders)	620,351	93,689
Net assets attributable to unitholders – liability	1,489,171	2,891,029
Liabilities attributable to unitholders	(1,489,171)	(2,891,029)
Net assets	-	-

Financial Statement

Statement of changes in equity For the year ended 30 June 2019

	2019 \$	2018 \$
Balance at the beginning of the financial year	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with unitholders in their capacity as unitholders	-	-
Total equity at the end of the financial year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as liability rather than equity. As a result, there was no equity at the start or end of the financial year.

Financial Statement

Statement of cash flows For the year ended 30 June 2019

	Consolidated	
	2019	2018
	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	-	1,173,517
Dividends and distributions received	39,155	251,572
Interest received	29	58
Withholding tax refunded by ATO	1,016	-
GST recovered/(paid)	10,479	4,069
Legal and professional fees paid	(2,118)	(87,482)
Payments of other expenses	(10,871)	(158,069)
Net cash inflow/(outflow) from operating activities	37,690	1,183,665
Cash flows from financing activities		
Proceeds from applications by unitholders	5,592	24,427
Payments for redemptions by unitholders	(1,355)	(954,810)
Distributions paid to unitholders	(41,886)	(254,552)
Net cash inflow/(outflow) from financing activities	(37,649)	(1,184,935)
Net (decrease)/increase in cash and cash equivalents	41	(1,270)
Cash and cash equivalents at the beginning of the year	74	1,344
Cash and cash equivalents at the end of the year	115	74
Non-cash financing activities	5,592	24,427

1. Principal activities

The Fund invests in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the "Master Fund" or "AFARF"), in accordance with the provisions of the Fund Constitution, the current Product Disclosure Statement ("PDS") and Fund updates on the ASX.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The Fund is currently listed on the Australian Security Exchange (ASX: ABW).

2. Review and results of operations

During the year, the Fund continued to invest in accordance with the target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution.

3. Financial results for the year

The performance of the Fund, as represented by the results of its operations, was as follows:

	2019 \$	2018 \$
Operating profit/(loss) before finance costs attributable to unitholders	(1,355,457)	(2,560,530)
Distributions paid and payable	(51,993)	(199,467)
Distribution (cents per unit) 30 September	0.19	0.69
Distribution (cents per unit) 31 December	0.16	0.69
Distribution (cents per unit) 31 March	0.15	0.65
Distribution (cents per unit) 30 June	0.14	0.30

4. Financial position

Net Tangible Assets (NTA) per unit as disclosed to the ASX are shown as follows:

	2019 \$	2018 \$
At 30 June	0.2783	0.3750
High during period	0.3620	0.6860
Low during period	0.2635	0.3750

5. Information on Underlying Performance

The performance of the Fund is subject to the performance of the Fund's underlying investment portfolio. There has been no change to the investment strategy of the Fund during the year, and the Fund continues to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund Constitution and any fund updates on the ASX.

6. Strategy and Future Outlook

The Fund invests in the Master Fund which is expected to continue. As markets are subject to fluctuations, it is imprudent to provide a detailed outlook statement or statement of expected results of operations. The Fund provides regular updates, including monthly NTA announcements, which can be found in the announcement section of the Australian Securities Exchange website.

The Fund continues to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by performance of investment markets in which the Master Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

7. Significant changes in state of affairs

On 15 January 2019, a purported meeting of members of the Fund purported to pass a special resolution approving the amendment of the Fund Constitution. That meeting also purported to replace the responsible entity with another company, Primary Securities Limited ("Primary"). On 30 May 2019, the meeting and all resolutions passed at the meeting were declared to be invalid and of no effect by the Supreme Court of New South Wales.

On 21 August 2019, AFML, as the responsible entity of the Fund, modified the Fund Constitution in order to clarify that the Consolidated Constitution dated 1 July 2011 has at all times since 1 July 2011 been the Fund Constitution, and the purported replacement consolidated Constitution lodged with the Australian Securities and Investments Commission by Primary on 31 January 2019 has been at all times void and of no effect.

An Order has been issued by the Supreme Court of New South Wales requiring Primary to pay the costs that Aurora has incurred in this matter, however the amount of costs to be reimbursed by Primary to Aurora has not yet been determined.

The amount of unrecovered legal costs incurred by Aurora to date is \$336,650.69. This amount has been included as a liability provision in the financial statements of the Fund for the year ended 30 June 2019. Aurora intends to vigorously pursue the recovery of these costs from Primary.

On 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019.

The Fund solely invests into the Aurora Fortitude Absolute Return Fund (the "Master Fund" or "AFARF"). For the financial year ended 30 June 2019, AFARF has adopted significant judgements and estimates to fair value the following investments:

Molopo Energy Limited (ASX: MPO)

As at 30 June 2019, AFARF held an investment in the ordinary shares of MPO, which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this report.

As previously advised, Aurora considers that the actions of the former Molopo directors have substantially and adversely affected the value of Molopo's assets. As such, Aurora has considered the carrying value of its investment in Molopo and has decided to further write the value of its investment down from 1.9 cents to 1.5 cents. The rationale for this decision is summarised below:

7. Significant changes in state of affairs (continued)

Molopo Energy Limited (ASX: MPO) (continued)

- Molopo currently has 249,040,648 ordinary shares on issue;
- Based on the above, Aurora considers the appropriate carrying value of its investment in Molopo to be calculated as follows:
 - o cash reserves of \$12.3 million; less
 - o litigation provision of \$8.6 million. In the audited Molopo financial statements for the year ended 31 December 2018 this provision was removed as a liability in the balance sheet and disclosed as a contingent liability. Given the uncertainty surrounding this liability, Aurora has not removed the liability from its valuation calculation;
 - o divided by 249,040,648 ordinary shares on issue;
 - o the total estimated value equates to a value of **1.5 cents per share**
- As more information is released by Molopo on the Drawbridge shareholding as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

In its Quarterly Activities Report at 30 June 2019, Molopo advised that it continues to vigorously pursue its claims in the Supreme Court of Victoria against the former directors of the Company. Aurora has also lodged a letter of demand with Molopo and will continue to vigorously pursue its claim to recover value that has been lost by the former directors of Molopo.

The fair value of Aurora's investment in Molopo is based on significant estimates and judgements adopted by management of Aurora based on all available information about Molopo as at the date of the 30 June 2019 financial report.

RNY Property Trust (ASX:RNY)

As at 30 June 2019, Aurora's total ownership is 80.96% of which AFARF owns 1.58% of the units in RNY.

Over the last eighteen months AFML, in its capacity as the Investment Manager of RNY, has been actively working to extract value from its investment in RNY by negotiating with the US lender of the underlying five (5) US commercial properties held by RNY, working with the property sub-manager to attract new tenants and working with various stakeholders to improve the properties.

On 8 February 2019, Aurora successfully extended the senior loan with ACORE for a further one year term. CBRE have replaced Winthrop as property sub-manager of the properties.

In the opinion of the Directors, other than the matters already referred to in this report, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

8. Matters subsequent to the end of the financial year

On 21 August 2019, AFML, as the responsible entity of the Fund, modified the Constitution in order to clarify that the Original Constitution has at all times since 1 July 2011 been the constitution of the Fund, and the purported replacement consolidated Constitution lodged with the Australian Securities and Investments Commission by Primary Securities Limited on 31 January 2019 has been at all times void and of no effect.

In addition, on 30 August 2019, Primary advised Aurora that it had filed a Notice of Appeal with the Supreme Court of NSW Court of Appeal on 29 August 2019.

No other matters or circumstances have arisen since 30 June 2019 that have significantly affected, or may significantly affect:

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

9. Significant accounting policies

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared on the basis of fair value measurement of assets and liabilities, except where otherwise stated.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for loans receivable, investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

10. Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	2019 No.	2018 No.	2019 \$	2018 \$
Opening balance	8,113,656	9,502,689	2,891,029	6,574,585
Applications	-	-	-	-
Redemptions	-	(1,425,731)	-	(956,965)
Buy backs	-	-	-	-
Units issued upon reinvestment of distributions	17,122	36,698	5,592	24,427
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,407,450)	(2,751,018)
Closing balance	8,130,778	8,113,656	1,489,171	2,891,029