

24 February 2015

AUORA
FUNDS LIMITED

ABN 39 143 194 165

Level 4, 1 Alfred Street
SYDNEY, NSW 2000

PO Box R1695
Royal Exchange NSW 1225

Telephone: (612) 9080 2377
Facsimile: (612) 9080 2378

Email: enquiries@aurorafunds.com.au
Website: www.aurorafunds.com.au

Dear Shareholder

I am pleased to invite you to the Extraordinary General Meeting (“**EGM**”) of Aurora Funds Limited (the “Company”), which will take place at 11:00am (Sydney time) on Tuesday 24 March 2015, at Level 4, 1 Alfred Street, Sydney New South Wales.

As announced on 19 December 2014, the Company entered into a Binding Term Sheet to sell 100% of the shares in Aurora Funds Management Limited ACN 143 194 165 to Keybridge Capital Limited ACN 088 267 190 for a cash consideration of \$4.3 million (**Transaction**). The consideration is payable in 2 instalments, the first instalment in the amount of \$3.5 million is to be paid on the Completion of the Transaction and the second instalment in the amount of \$0.80 million is to be paid 12 months from the Completion of the Transaction. The Consideration is subject to downwards adjustments if the level of the retail funds under management decreases at the time of the payment of the Consideration, as detailed in the Explanatory Memorandum.

On 15 February 2015, the parties entered into a formal Share Sale Agreement for the Transaction. Completion of the Transaction is conditional upon, amongst other things, the shareholders of Company approving the Transaction.

The purpose of the EGM is to seek Shareholder approval for the proposed sale of Aurora Funds Management Limited to Keybridge Capital Limited.

The Transaction represents an excellent opportunity to establish a strong financial base to enable Aurora Funds Management Limited to fully fund its growth potential.

In connection with assessing the merits of the Transaction, ShineWing Australia Corporate Finance Pty Ltd (formerly known as Moore Stephens) was engaged on 22 December 2014 to prepare an Independent Expert’s Report for inclusion in the Notice of meeting. The Independent Expert’s Report concludes that the Transaction is fair and reasonable to all non-associated shareholders.

Enclosed is the Notice of Meeting, setting out the items of business and a Proxy Form for your attention. If you decide to attend the meeting, please bring the enclosed Proxy Form with you to facilitate registration at the meeting.

You may submit questions in advance of the meeting by emailing enquiries@aurorafunds.com.au.

If you are unable to attend the meeting, you may appoint a proxy. You can do this by completing the enclosed Proxy Form to the Company's Share Registrar and returning it in the enclosed reply paid envelope, or fax it to 03 9111 5652. Your Proxy Form must be received by no later than 11:00am (Sydney time) on Friday, 20 March 2015.

Corporate shareholders may appoint an individual representative to attend the EGM on the corporate entity's behalf. Such representative must bring to the EGM, their authority of appointment. An "Appointment of Corporate Representative" Form is available from the Company's Share Registrar at www.registrydirect.com.au.

Yours faithfully
Aurora Funds Limited

Betty Poon
Company Secretary

NOTICE OF MEETING & EXPLANATORY MEMORANDUM

Notice is given that the Extraordinary General Meeting (“EGM”) of Aurora Funds Limited (the “Company”) will take place at 11.00am (Sydney time) on Tuesday 24 March 2015, at Level 4, 1 Alfred Street, Sydney NSW.

An Explanatory Memorandum and proxy form accompany, and form part of, this Notice of Meeting. Information relevant to the proposed resolutions set out below, including information required by the Listing Rules and the Corporations Act, can be found in the Explanatory Memorandum.

BUSINESS

The following business is to consider the following proposed resolutions.

Item 1 - Approval of Proposed Sale of Aurora Funds Management Limited (Resolution 1)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 3, 4 and 5, for the purposes of ASX Listing Rules 10.1 and 11.2 and for all other purposes, approval is given to the disposal by the Company of its interest in the share capital of Aurora Funds Management Limited to Keybridge Capital Limited on the terms and conditions set out in the Explanatory Memorandum”.

Voting exclusion:

The Company will disregard any votes cast on Resolution by a party to the Transaction or a person who might obtain benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of shares) including:

- Keybridge Capital Limited; and
- any associate of Keybridge Capital Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or
- it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the shareholder approval required under ASX Listing Rule 10.1. The Independent Expert Report is attached as Annexure A. The Independent Expert's Report comments on the fairness and reasonableness of the transaction the subject of this resolution.

Item 2 – Approval of Return of Capital to Shareholders (Resolution 2)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

“That, subject to the passing of Resolution 1, for the purposes of Part 2J.1 of the Corporations Act and for all other purposes, and subject to and conditional upon Completion of the Share Sale Agreement, approval is given for the Company to reduce its share capital by an amount equal to the consideration paid to the Company in relation to the Transaction less estimated running costs for the next four years, on the terms set out in the Explanatory Memorandum.”

Voting exclusion:

The Company will disregard any votes cast on Resolution by a party to the Transaction or a person who might obtain benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of shares).

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or
- it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 3 – Approval of issue of Convertible Note to Keybridge Capital Limited (Resolution 3)

To consider and, if thought fit, to pass the following Resolution as an ordinary resolution:

“That, subject to the passing of Resolutions 1, 4 and 5, for the purposes of ASX Listing Rule 7.1 and for all other purposes, the Company approves the proposed issue of one (1) Convertible Note to Keybridge Capital Limited on the terms set out in the Explanatory Memorandum.”

Voting exclusion:

The Company will disregard any votes cast on Resolution by a party to the Proposed Transaction or a person who might obtain benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of shares) including:

- Keybridge Capital Limited; and
- any associate of Keybridge Capital Limited.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or
- it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Item 4 – Change of Company Name (Resolution 4)

To consider and, if thought fit, to pass the following as a special resolution of the Company:

“That, subject to the passing of Resolutions 1, 3 and 5, with effect from the Completion Date, the Company’s name be changed from Aurora Funds Limited to SIV Asset Management Limited and the Constitution of the Company be amended to reflect the change of name of the Company to SIV Asset Management Limited by changing all references to Aurora Funds Limited in the Constitution to SIV Asset Management Limited.”

Voting:

This Resolution is a special resolution and can only be passed if at least 75% of the votes cast, in person or by proxy, by members who are entitled to vote on the resolution, are voted in favour.

Item 5 – Escrow Deed (Resolution 5)

To consider and, if thought fit, to pass the following as a special resolution of the Company:

“That, subject to the passing of Resolutions 1, 3 and 4, for the purpose of item 7 of the table in section 611 of the Corporations Act 2001 (Cth) and for all other purposes, approval be given to the Company entering into the Escrow Deeds with each of Keybridge Capital Limited and the shareholders of the Company who are related to the directors of Company on the terms set out in the Explanatory Memorandum.”

Voting exclusion:

The Company will disregard any votes cast on Resolution by a party to the Escrow Deed or a person who might obtain benefit if the Resolution is passed (except a benefit solely in their capacity as a holder of shares) including:

- Keybridge Capital Limited; and

- the shareholders of the Company who are related to the directors of Company, comprising of the following:
 - Knoxy Holdings Pty Ltd ACN 099 841 568;
 - John Frederick Corr;
 - Trafalgar Street Nominees Pty Ltd ACN 111 173 794;
 - Ian Steuart Roe;
 - Jeni Lulevska;
 - Oliver John Morgan;
 - Simon Angus Lindsay;
 - S & N Lindsay Investments Pty Limited ACN 143 839 061; and
- any associate of the above entities.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or
- it is cast by the person chairing the Extraordinary General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Recommendation

The Board considers that these resolutions are in the interests of shareholders and therefore unanimously recommends you vote in favour of these resolutions.

By order of the Board

Betty Poon
Company Secretary
24 February 2015

EXPLANATORY MEMORANDUM

1. Introduction

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting of Aurora Funds Limited (ACN 143 194 165) to be held at Level 4, 1 Alfred Street, Sydney New South Wales on Tuesday 24 March 2015.

This Explanatory Memorandum provides information that the Directors believe to be material to Shareholders in deciding whether or not to vote in favour of the resolution contained in the Notice of Meeting. The Explanatory Memorandum does not take into account the individual investment objectives, financial situation or needs of Shareholders or any other person. Accordingly, they should not be relied on solely in determining how to vote on the Resolution.

The Notice of Meeting, Explanatory Memorandum, Independent Expert's Report and Proxy Form are all important documents. They should be read carefully in their entirety before you make a decision on how to vote at the meeting.

2. Key dates

Subject to ASX Listing Rule and Corporations Act requirements, the key dates associated with the Meeting and this document are set out below:

Event	Date
Execution of the Share Sale Agreement	15 February 2015
Completed Proxy Form to be received no later than	11:00 am on Friday 20 March 2015
Date and time for determining eligibility to attend and vote at the meeting	7:00 pm on Friday 20 March 2015
Date of General Meeting of Shareholders to approve: (i) the Transaction (Resolution 1); (ii) return of capital (Resolution 2); (iii) issue of Convertible Note (Resolution 3); (iv) change of Company name (Resolution 4); and (v) Escrow Deed (Resolution 5).	11:00 am on Tuesday 24 March 2015
Completion of the Transaction	Estimated to be 26 March 2015 subject to the satisfaction of the conditions precedent referred to in paragraph 3.4(e) (" Completion Date ").
Change of Company Name	On the Completion Date.
Enter into the Escrow Deed	On the Completion Date.
Issue of Convertible Note	On the Completion Date.
Record Date for determining entitlement to participate in the Initial Return of Capital (as that term is defined in Section 4.1 of this Explanatory Memorandum).	Within 14 days of the Adjustment Payment Date (as that term is defined in Section 3.3(c) – To be announced upon Completion.
Record Date for determining entitlement to participate in the Deferred Return of Capital (as that term is defined in Section 4.1 of this Explanatory Memorandum).	Within 14 days of the Adjustment Payment Date (as that term is defined in Section 3.3(c) – To be announced upon Completion.
Implementation of the Return of Capital – anticipated date of distribution of funds and distribution statements to Shareholders.	Within 21 days of the Completion Date – To be announced upon Completion.
Notice to convert the outstanding amount under the Loan into Shares under the Convertible Note (" Notice to Convert ").	At least 10 Business Days, but no earlier than 20 Business Days, before the Loan Termination Date (which is a date that is 5 years from the Completion Date) – To be announced upon the issue or receipt of the Notice to Convert.
Issue of Shares under the Notice to Convert	Between 5 Business Days and 10 Business

	<p>days after the Notice to Convert is served -</p> <ul style="list-style-type: none">– To be announced upon the issue or receipt of the Notice to Convert. <p>However, if approval is required from shareholders, the issue of shares will be announced in the Notice of Meeting.</p>
--	--

The timetable and the dates above (and the references to those dates throughout this Explanatory Memorandum) are indicative only, and the Company may vary those dates in accordance with the Share Sale Agreement or in consultation with the ASX. Changes to the above dates will be announced to the ASX and notified on the Company's website.

3. Resolution 1: Approval of Proposed Sale of Aurora Funds Management Limited

3.1 The Transaction

On 19 December 2014, the Company announced to the ASX that the Company has entered into a Binding Term Sheet for the disposal of the total issued share capital of Aurora Funds Management Limited ('**Aurora**'), a wholly owned subsidiary of the Company, to Keybridge Capital Limited ACN 088 267 190 ('**Keybridge**') for a cash consideration of \$4.3 million ('**Transaction**'). The consideration is payable in 2 instalments, the first instalment in the amount of \$3.5 million is to be paid on the Completion of the Transaction and the second instalment in the amount of \$0.80 million is to be paid 12 months from the Completion of the Transaction. The Consideration is subject to downwards adjustments if the level of the retail funds under management decreases at the time of the payment of the Consideration, as detailed in section 3.3 of this Explanatory Memorandum.

Aurora comprises the Responsible Entity and Investment Manager for the Aurora Fortitude Absolute Return Fund, Aurora Absolute Return Fund, Aurora Dividend Income trust, Aurora Global Income Trust and Aurora Property Buy-Write Income Trust.

The Binding Term Sheet provides that employees of Aurora will remain employed by Aurora on the same terms as applied prior to the completion of the Transaction.

On 15 February 2015, the Company and Keybridge entered into a formal Share Sale Agreement for the Transaction ('**Share Sale Agreement**').

A summary of the key terms of the Share Sale Agreement are set out in Section 3.3 below.

3.2 Shareholder approval

Approval is sought pursuant to ASX Listing Rules 10.1 and 11.2 and for all other purposes for the proposed sale of Aurora Funds Management Limited by the Company.

Rule 10.1 of the ASX Listing Rules requires a company to obtain shareholder approval if the company wishes to dispose of a substantial asset to certain persons who have a prescribed relationship with the company. As Keybridge is a substantial holder of the Company for the purposes of ASX Listing Rule 10.1.3 and the sale assets (being the total issued share capital in Aurora) are substantial assets within the meaning of ASX Listing Rule 10.2, approval of the Transaction by Shareholders is required.

Rule 11.2 of the ASX Listing Rules requires a company to obtain shareholder approval if the company proposes to make a significant change in the nature or scale of its activities which involves the disposal of its main undertaking. As the sale of Aurora constitutes a change involving the Company's main undertaking for the purposes of ASX Listing Rule 11.2, approval of the Transaction by Shareholders is required.

Accordingly, this Meeting has been called to seek approval from Shareholders (excluding Keybridge and its associates) of the Transaction, and to assist Shareholders to determine how to vote on the resolution required to approve the Transaction.

3.3 Key Terms

The key terms of the Transaction are set out below.

a. Completion Date

The Share Sale Agreement provides that the Completion Date for the Transaction is 2 Business Days after the date on which notification of the last of the conditions (referred to in Section 3.3e below) are satisfied ('**Completion Date**').

b. Consideration payable

The total consideration ('**Consideration**') payable for the shares of Aurora consists of a cash consideration of \$4.3 million, payable in 2 parts as follows:

- (i) \$3.5 million payable on the Completion Date (**Initial Payment**); and
- (ii) \$0.8 million payable 12 months from the Completion Date (**Deferred Payment**).

The Consideration is subject to downwards adjustments as follows:

- (i) the Initial Payment of \$3.5 million is to be reduced by 2.5 cents per \$1 that the retail funds under management at Completion is less than \$170 million; and
- (ii) the Deferred Payment of \$0.8 million is to be reduced by:
 - A. 2.75 cents per \$1 that the retail funds under management at the first anniversary of the Completion Date is less than \$150 million; and
 - B. any amounts set-off by Keybridge for warranty/indemnity claims.

c. Completion Statement

The Initial Payment will be further adjusted upwards or downwards based on the net assets of Aurora at the Completion Date. Keybridge is required to, no later than 30 days after the Completion Date, procure that a statement be prepared by Keybridge's accountant which sets out the net assets of Aurora as at the Completion Date calculated by taking into account the assets (which includes current assets, fixed assets at 50% and non-current assets) less the liabilities (which includes current and non-current liabilities) (**Completion Adjustment Amount**).

If the Completion Adjustment Amount is positive, Keybridge must pay that amount to the Company as additional Consideration for the Shares.

If the Completion Adjustment Amount is negative, the Company must pay that amount to Keybridge as a refund of part of the Consideration paid under the Share Sale Agreement.

The relevant party must pay the Completion Adjustment Amount to the other party:

- (i) as to any amount not in dispute, within two business days after the Completion Statement is deemed to have been accepted by the Company; and
- (ii) as to any other amount, within two business days of its determination by an independent accountant,

(**Adjustment Payment Date**).

d. Escrow Arrangement

The completion of the Transaction is conditional on Keybridge and the shareholders of the Company who are related to the directors of Company to enter into escrow arrangements with the Company on the following terms:

- (a) For a period of 5 years from the Completion Date or until such time as the last significant investor withdraws their investment from the Significant Investor Fund (**Escrow Period**), Keybridge and the shareholders of the Company who are related to the directors of the Company ('**Escrow Shareholders**') agree to hold their shares in the Company in escrow for the Escrow Period so that they may continue to control the Company's board;
- (b) During the Escrow Period, the Escrow Shareholders will not:
 - (iii) dispose of, or agree or offer to Dispose of, their shares in the Company;
 - (iv) create, or agree or offer to create, any encumbrance in the Shares;
 - (v) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the shares; and
 - (vi) exercise any voting rights attaching to the shares in a manner that would result in:

- A. the removal of any director of the Company who is a director of the Company at the Completion Date;
 - B. the appointment of any director of the Company who is not a director of the Company at the Completion Date;
 - C. a repayment of capital being made on the Shares otherwise than in the winding up of the Company.
- (c) The restrictions that apply to the Company's shares may only be cancelled during the Escrow Period by all the parties to the escrow arrangement.

e. Conditions precedent

Completion of the Transaction is subject to satisfaction (or waiver) of a number of conditions including:

- (a) the shareholders of the Company passing in accordance with ASX Listing Rule 11.2, a resolution in general meeting approving the Transaction;
- (b) ASX having no objection to the other conditions of the Transaction;
- (c) Keybridge and the shareholders of the Company who are related to the directors of Aurora entering into the Escrow Arrangement referred to in Section 3.3c;
- (d) the shareholders of the Company passing a resolution in general meeting approving the Escrow Arrangement;
- (e) Aurora's shareholders having approved a return of capital to its shareholders equivalent to all of the consideration paid to Aurora in relation to the Transaction less \$100,000;
- (f) the Company obtaining any necessary third party consents under agreements which are material to the Business (for example to a change in control of the Aurora and/or an assignment of one or more of the Business management agreements and consent to a change in control of Aurora under Aurora's financing documents, in respect of any security interests of the Company to remain in place after Completion), which as at the date of the Share Sale Agreement the parties acknowledge will require:
 - (i) the Company providing evidence that Unity Administration has been notified of the proposed Transaction for the purposes of the Fund Administration Agreements to which Aurora is party; and
 - (ii) the Bloomberg agreement having been assigned to Aurora with the consent of the counterparty (if required); and
- (g) the Business having at least \$170 million in funds under management from retail investors at Completion;
- (h) no change to the ABW and AOD funds independent rating at the date of the Term Sheet ;
- (i) there having been no material adverse change in the assets, liabilities, financial position, profitability or prospects of the Company or the Business since the Accounts Date (being 30 June 2014);
- (j) any other regulatory approvals required for the Transaction;
- (k) Aurora, Keybridge and the Company entering into:
 - (i) the Co-Operation Deed to record the parties' intention that Aurora will continue to act as the trustee and investment manager of the SIV Investment Fund and the trustee of the Orion Investment Options Fund; and
 - (ii) the Funding Deed (with respect to the Convertible Note referred to in Resolution 3) (and security under the Funding Deed);
- (l) John Corr signing a Deed of Restraint;
- (m) the Sydney Lease having been assigned to Aurora from the Company with the consent of the landlord (and landlord's mortgagee if required) on terms acceptable to Keybridge (acting reasonably);
- (n) the Key Persons (being Steuart Roe, John Corr and Simon Lindsay) having signed new employment agreements with Aurora;

- (o) the following conditional securities having been converted into ordinary shares in Aurora on terms acceptable to Keybridge (acting reasonably):
- (i) one ordinary A class conditional security;
 - (ii) one ordinary B class conditional security;
 - (iii) one ordinary C class conditional security;
 - (iv) one ordinary D class conditional security; and
 - (v) one ordinary E class conditional security; and
- (p) the Board of Keybridge having approved the terms of the Transaction by 27 February 2015.

3.4 Effect of the Disposal on the Company

After completion of the Transaction, the remaining activities of the Company will comprise of its ongoing role in the two Significant Investor Visa (**SIV**) funds. The Company will no longer have an Australian Financial Services Licence, and as such will be performing operational management services with no investment management. Aurora agreed to continue to act as trustee of the SIV funds.

The Company will retain some funds from the sale proceeds to use as operating expenses for four years after the Completion Date.

Further, Keybridge has agreed that, subject to Completion of the Transaction, Keybridge will make available to the Company a cash advance facility of up to \$400,000 (**Loan**) over a period of 5 years commencing from the Completion Date which the Company can draw down to meet its operating costs and expenses. The Loan will be secured and attract interest at 8% per annum payable monthly in arrears and if not repaid will capitalise. At the end of the 5 year period, either Keybridge or the Company may convert the Loan to shares in the Company on terms detailed in Section 5 of this Explanatory Memorandum. Subject to shareholders' approval, the Company will issue Keybridge with a Convertible Note representing the Loan and any accrued interest. If the Shareholders do not approve the issue of the Convertible Note, Keybridge will not provide the Loan to the Company.

Whilst at this time no decision has been taken, the ASX will review the position of the Company after a six month period and has the power to suspend the securities.

3.5 Strategy and Goals of the Company going forward

After the completion of the Transaction, the Company proposes to actively pursue foreign investors into the two SIV funds.

The Company will also seek to design products that comply with the new investment framework for the Significant Investor Visa and Premium Investor Visa in accordance with policy announcements made by Austrade in October 2014.

The Company will also seek investment opportunities that are consistent with its activities and which the Directors believe could have the potential to generate shareholder returns.

3.6 Financial effect of the Disposal on the Company

The impact of the Proposed Transaction on the Company's balance sheet is set out in the pro forma Statement of Financial Position below.

Consolidated Statement of Financial Position	31/12/2014	Adjustments	At Completion
	\$		
CURRENT ASSETS			
Cash & cash equivalents	4,025,144	-3,525,144	500,000
Trade and other receivables	667,433	-667,433	0
Other	61,314	-61,314	0
Total current assets	4,753,891	-4,253,891	500,000

NON-CURRENT ASSETS

Deferred tax assets	843,398	0	843,398
Plant and Equipment	39,728	-39,728	0
Financial assets	46,903,000	0	46,903,000
Goodwill and intangibles	3,822,006	-3,822,006	0
	51,608,132	(3,861,734)	47,746,398

Total assets	56,362,023	(8,115,625)	48,246,398
---------------------	-------------------	--------------------	-------------------

CURRENT LIABILITIES

Trade and other payables	693,170	-693,170	0
Short-term borrowings	21,425	-21,425	0
Total current liabilities	714,595	(714,595)	0

NON CURRENT LIABILITIES

Trade and other payables	71,308	-71,308	0
Other liabilities	107,457	292,543	400,000
Financial liabilities	46,903,000	0	46,903,000
Sub-ordinated debt	1,000,000	-1,000,000	0
Total non-current liabilities	48,081,765	(778,765)	47,303,000

Total liabilities	48,796,360	(1,493,360)	47,303,000
--------------------------	-------------------	--------------------	-------------------

NET ASSETS	7,565,663	(6,622,265)	943,398
-------------------	------------------	--------------------	----------------

EQUITY

Share Capital	12,957,414	-6,622,265	6,335,148
Accumulated losses	(5,391,750)	0	-5,391,750
	7,565,663	(6,622,265)	943,398

Note: Deferred tax assets to be reviewed for recoverability

3.7 Independent Expert's Report

ASX Listing Rule 10.10.2 requires that the notice of meeting given to Shareholders pursuant to ASX Listing Rule 10.1 include a report on the Proposed Sale Transaction from an independent expert. The report must state whether the transaction is fair and reasonable to all Shareholders.

The Company has commissioned ShineWing Australia Corporate Finance Pty Ltd (formerly known as Moore Stephens) (**Independent Expert**) to prepare an Independent Expert's Report in relation to the Transaction. A copy of the Independent Expert's report is attached as Annexure A to this Explanatory Memorandum.

The Independent Expert's Report concludes that the Proposed Transaction is fair and reasonable for non-associated shareholders for the reasons set out as follows:

(a) Fairness of the Transaction

The Independent Expert compared the EBITDA, PE and FUM multiples implied by the Transaction with the earnings multiples and FUM multiples from the comparable companies and comparable transactions and concluded that multiples implied by the Transaction are greater than or within the range of the assessed multiples of the comparable companies and transactions on a controlling basis. In their opinion the Transaction is fair to non-associated shareholders.

(b) Reasonableness of the Transaction

The Independent Expert assessed the reasonableness of the Transaction by assessing the advantages and disadvantages of the Transaction and other key factors which are set out in the Independent Expert's Report.

The Independent Expert concluded that as the Transaction is fair to non-associated shareholders.

Shareholders are urged to read the Independent Expert's Report carefully and in its entirety. In particular, Shareholders are referred to sections 7.2.1 to 7.2.2 of the Independent Expert's Report which summarises the advantages and disadvantages of the Transaction.

In accordance with ASX Listing Rule 10.10A.3:

- A copy of the Independent Expert's Report is also available on the Company's website at www.aurorafunds.com.au/independent-experts-report; and
- If a Shareholder so requests, the Company will send a hard copy of the Independent Expert's Report to the Shareholder free of charge.

The Independent Expert has given, and has not withdrawn, its consent to the inclusion of its report in the Notice in the form and the context in which it appears.

4. Resolution 2: Approval of Return of Capital to Shareholders

4.1 Return of Capital

As outlined above, the Company proposes to make a cash payment to Shareholders as a return of capital, which amount is to be calculated per Share by the consideration paid to the Company for sale of the shares in Aurora (less estimated running costs for the next four years) under the Proposed Transaction.

The Return of Capital is subject to and conditional upon Completion and payment to the Company of the Consideration.

4.2 Payment Details

The Consideration will be paid in 2 parts, the first part, being the Initial Payment, is payable on Completion and the second part, being the Deferred Payment, is payable on the first anniversary of the Completion Date.

The Return of Capital will occur:

- within 14 days of the Adjustment Payment Date for the Return of Capital of the Initial Payment (less any adjustments) (**Initial Return of Capital**); and
- within 14 days of the first anniversary of the Completion Date for the Return of Capital of the Deferred Payment (less any adjustments) (**Deferred Return of Capital**).

Upon Completion, the record dates and payment dates for the Initial Return of Capital and the Deferred Return of Capital will be notified to Shareholders via an ASX announcement.

Shareholders who have not already done so can nominate an account by contacting Registry Direct. Payments will be made by way of direct credit into a nominated account, or by cheque if banking details are not provided.

4.3 Requirement for the Return of Capital

(a) Equal Reduction

The Return of Capital is subject to approval of Resolution 1.

Section 256B(2) of the Corporations Act provides that a capital reduction is an equal reduction if:

- (i) it relates to ordinary shares; and
- (ii) applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold; and
- (iii) the terms of the reduction are the same for each holder of ordinary shares.

The proposed Return of Capital satisfies the criteria in section 256B(2) and, as such, is treated as an equal reduction of capital for the purposes of the Corporations Act.

(b) Statutory Requirements

Under section 256B(1) of the Corporations Act, a company may reduce its share capital if the reduction satisfied three key requirements.

The three key requirements and how they are being met by the Company are:

- (i) The reduction must be fair and reasonable to Shareholders as a whole.
- (ii) The Directors consider the Return of Capital to be fair and reasonable to Shareholders as a whole. All Shareholders will be treated in the same manner in terms of the proportion of the share capital of the Company being returned.
- (iii) The reduction does not prejudice the Company's ability to pay its creditors.
- (iv) The Directors have reviewed the financial position of the Company, including its assets, liabilities, expected cashflows (including the line of credit from Keybridge) and capital requirements, and believe the proposed Return of Capital will not prejudice the Company's ability to pay creditors.
- (v) The reduction is approved by ordinary resolution at a general meeting of Shareholders under section 256C of the Corporations Act.

This requirement is being met through the holding of this General Meeting in which the Company is seeking Shareholder approval of the capital return. As an ordinary resolution, Resolution 2 will be passed if at least 50% of the votes cast in person or by proxy by Shareholders at the meeting who are entitled to vote on the resolution are cast in favour of the resolution.

5. Resolution 3: – Approval of issue of Convertible Note to Keybridge Capital Limited

5.1 Line of Credit

Subject to Completion of the Transaction, Keybridge will make available to Aurora a cash advance facility of up to \$400,000 (**Loan**) which the Company can draw down to meet its operating costs and expenses. The Loan will be secured and attract interest at 8% per annum payable monthly in arrears and if not repaid will capitalise. The Loan and any accrued interest (**'Debt'**) must be repaid within 5 years from the Completion Date (**'Loan Termination Date'**).

The Company is not required to repay the Debt and may choose, subject to any approval which may be required from shareholders, to convert the Debt to shares in the Company. Keybridge is also entitled to elect to, subject to any approval which may be required from shareholders, convert the Debt to shares in the Company.

Subject to shareholders' approval, the Company will issue one (1) Convertible Note to represent the conversion of the Debt to shares in the Company on the following terms:

- (a) Either party may, least 10 Business Days, but no earlier than 20 Business Days, before the Loan Termination Date, give notice to the other party to convert the Debt to shares in the Company.
- (b) The number of shares to be issued to Keybridge upon conversion shall be calculated per share at the lower of:
 - (i) the volume weighted average price (VWAP) of ordinary shares during the period of 20 business days on which trading in ordinary shares took place before the conversion date; and
 - (ii) the book value of the Company's assets at the conversion date divided by the total issued share capital of the Company.
- (c) The Debt must be applied by the Company in fully paying up the shares and the application will discharge the Company from all liability in respect of the Debt so converted.

Resolution 3 seeks Shareholder approval for the issue of one (1) Convertible Note to Keybridge for the purposes of ASX Listing Rule and for all other purposes.

ASX Listing Rule 7.1 limits the number of equity securities (including shares and convertible securities) that a company can issue in any 12 month period without shareholder approval to 15% of the company's existing issued capital, subject to certain exceptions.

If Shareholder approval is obtained under Resolution 3, the issue of the Convertible Note and the issue of Shares on conversion of the Convertible Note will be excluded from the calculation of the 15% limit under ASX Listing Rule 7.1.

If Shareholder approval is not obtained under Resolution 3, the Convertible Note will not be issued by the Company and the Loan will not be provided by Keybridge to the Company.

Once the Convertible Note is issued, the Convertible Note may be converted into Shares subject to any approval which may be required from shareholders under item 7 of section 611 of the Corporations Act.

The following information is required by ASX Listing Rule 7.3 for the purposes of shareholder approval under ASX Listing Rule 7.1:

- (a) The Company proposes to issue one Convertible Note to Keybridge representing the Debt and the subscription price will depend on the amount of Debt outstanding at the date of the conversion.
- (b) If Shareholders approve Resolution 3, the Company will issue the Convertible Note to Keybridge on the Completion Date (which will be within 3 months after the date of the Meeting). If Completion does not occur for any reason, the Company will not issue the Convertible Note.
- (c) The maximum number of Shares that may be issued upon conversion of the Convertible Note will vary according to:
 - (i) the amount of Debt outstanding at the Conversion date; and
 - (ii) the conversion price calculated per share at the lower of:
 - A. the volume weighted average price (VWAP) of ordinary shares during the period of 20 business days on which trading in ordinary shares took place before conversion date; and
 - B. the book value of the Company's assets at the conversion date divided by the total issued share capital of the Company.

For example, if the Debt is \$400,000 and the conversion price is taken to be the VWAP of ordinary shares referred to in paragraph 3(b)(i) above, which is for example at \$0.54 per share, then the maximum number of shares that may be issued upon conversion of the Convertible Note will be 740,741 ordinary shares.

1. A summary of the principal terms of the Convertible Note are as follows:
 - a. Either party may give notice to the other party to convert the Debt into Shares (**Conversion Notice**).
 - b. A Conversion Notice may:
 - (a) if no event of default is subsisting, be given by either party to the other at least 10 Business Days, but no earlier than 20 Business Days, before the Maturity Date; or
 - (b) if an event of default has occurred and is subsisting, be given by Keybridge to the Company at any time whilst that event of default is subsisting (whether before or after the Maturity Date).
 - c. A Conversion Notice must:
 - (a) specify the total Debt owed by the Company to Keybridge to be converted, which must be satisfactory to Keybridge in its absolute discretion;
 - (b) specify the number of Shares to be issued to Keybridge (or its nominee) calculated in accordance with the formula set out above; and
 - (c) specify a date upon which the conversion will take effect, which date must be not less than 5 Business Days, and not greater than 10 Business Days, after the date on which the notice is served, or such other date agreed between the parties (**Conversion Date**).
 - d. On the Conversion Date, the Company must issue to Keybridge (or its nominee) the Conversion Shares.

- e. The Debt must on the Conversion Date be applied by the Borrower in fully paying up the Conversion Shares and that application will discharge the Company from all liability in respect of the Debt so converted.
- f. All Shares to be issued in consequence of the conversion will, on and from the date upon which they are issued, rank pari passu in all respects with all of the ordinary shares of the Company then on issue.

6. Resolution 4: Change of Company Name

Completion of the Transaction is subject to the Company changing its name to a name which does not include the word "Aurora" with effect from Completion.

Changing the Company's name will require amendments to the Constitution to reflect the change of name. The proposed amendments are to amend all references in the Constitution from Aurora Funds Limited to SIV Asset Management Limited.

If Resolution 4 is approved, the change of Company name and amendments to the Constitution will take effect on the date of Completion of the Transaction.

7. Resolution 5: Escrow Deed

The Transaction is conditional on Keybridge and the shareholders of the Company who are related to the directors of Company enter into an Escrow Deed on the terms set out at Section 3.3 of this Explanatory Memorandum.

Resolution 5 seeks Shareholder approval for the purpose of Item 7 of Section 611 to permit each of Keybridge and the shareholders of the Company who are related to the directors of the Company (**Escrow Shareholders**) to enter into an Escrow Deed with the Company. As a consequence of the Company entering into the Escrow Deeds with each Escrow Shareholder which would result in the Company acquiring a relevant interest in itself, by acquiring the power to control the exercise of power to dispose of the Shares during the Escrow Period.

The Corporations Act and Regulatory Guide 74 issued by the Australian Securities and Investments Commission ('ASIC') set out a number of regulatory requirements that must be satisfied in relation to the Resolution.

(a) Item 7 of Section 611 of the Corporations Act

(i) Section 606 of the Corporations Act – statutory prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- A. from 20% or below to more than 20%; or
- B. from a starting point that is above 20% and below 90%,

(Prohibition).

(ii) Voting power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

(iii) Relevant interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

- A. are the holder of the securities;

- B. have the power to exercise, or control the exercise of, a right to vote attached to the securities; or
- C. have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

- A. a body corporate in which the person's voting power is above 20%;
- B. a body corporate that the person controls.

Section 608(9) provides that a company may have relevant interest in its own securities.

(b) Reason Section 611 approval is required

Item 7 of Section 611 of the Corporations Act provides an exception to the Prohibition, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval.

By entry into the Escrow Deeds with each Escrow Shareholder, the Company would have the power to control the exercise of power of the Escrow Shareholders to dispose of the Shares during the Escrow Period.

Accordingly, Resolution 5 seeks Shareholder approval for the purpose of Item 7 of Section 611 and all other purposes in order to permit the Company and the Escrow Shareholders to enter into the Escrow Deeds.

(c) Specific Information required by Item 7 of Section 611 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval under Item 7 of Section 611 of the Corporations Act:

(i) Identity of the Acquirer: The Company

(ii) Relevant Interest and Voting Power

- A. Relevant Interest: 63.15% of the shares will be held in escrow
- B. Voting Power: The Escrow Deeds provide that during the Escrow Period, the Escrow Shareholders will not:
 - 1) dispose of, or agree or offer to dispose of, their shares in the Company;
 - 2) create, or agree or offer to create, any encumbrance in the Shares;
 - 3) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the shares; and
 - 4) exercise any voting rights attaching to the shares in a manner that would result in:
 - i. the removal of any director of the Company who is a director of the Company at the Completion Date;
 - ii. the appointment of any director of the Company who is not a director of the Company at the Completion Date;
 - iii. a repayment of capital being made on the Shares otherwise than in the winding up of the Company.

The Company's power is the control of the exercise of power of the Escrow Shareholders as outlined above.

(iii) Reasons for the proposed Escrow Deed

The escrow arrangement ensures that the Directors and Keybridge will control the Company for up to 5 years.

(iv) Material terms of Escrow Deed

The material terms of the Escrow Deed are as follows:

- A. During the Escrow Period, the Escrow Shareholder must not do any of the following:
 - 1) dispose of, or agree or offer to dispose of, the Shares;
 - 2) create, or agree or offer to create, any Encumbrance in the Shares; or
 - 3) do, or omit to do, any act if the act or omission would have the effect of transferring effective ownership or control of the Shares
- B. While the Shares are held in escrow, the Escrow Shareholder must not exercise any voting rights attaching to any securities (whether in escrow or not) in a manner that would result in:
 - 1) the removal of any director of the Company who is a director of the Company at the date of the Escrow Deed;
 - 2) the appointment of any director of the Company who is not a director of the Company at the date of the Escrow Deed; or
 - 3) a repayment of capital being made on the Shares otherwise than in the winding up of the Company.
- C. Additional securities must be held on the same terms and conditions under this deed as are the Shares in respect of which those additional securities were issued.
- D. Subject to any restrictions in the Escrow Deed, escrow of Shares does not affect any right of the Holder to exercise a right attaching to a Share that entitles the Holder to acquire another security or to exchange or convert a Share into another security.
- E. The Shares may only be transferred:
 - 1) with the prior written consent of the Company on such terms and conditions as the Company determines in its discretion;
 - 2) in compliance with any escrow requirements of ASX;
 - 3) pursuant to an order of a court of competent jurisdiction compelling the Shares to be disposed of or an encumbrance granted over them;
 - 4) in order to grant an Encumbrance over any (or all) of its Shares to a bona fide third party financial institution (Financial Institution) as security for a loan, hedge or other financial accommodation.

(v) Commencement Date of proposed Escrow Deeds

The commencement of the Escrow Deeds is subject to the Completion of the Transaction. If the Transaction does not complete, the Escrow Shareholders will not enter into the Escrow Deeds. If the Transaction completes, the Escrow Deeds will commence on the Completion Date.

(vi) Interests of Directors

All Directors of the Company have interests in the outcome of the Escrow Deeds as their related shareholding entities will enter into the Escrow Deed.

(d) Impact on the Company if Shareholders not approving the escrow arrangements

If Shareholders do not approve the escrow arrangement the subject of this Resolution 5, the condition precedent under the Share Sale Agreement will not be satisfied resulting in the Transaction not proceeding and, in turn, the Shareholders will not receive the return of capital outlined in this Explanatory Memorandum.

(e) Independent Expert's Report

In accordance with ASIC Regulatory Guide 74, the Company commissioned the Independent Expert to prepare a report as to whether the proposed escrow arrangement is fair and reasonable to Non-Associated Shareholders.

The Independent Expert has assessed and proposed escrow arrangement and has concluded that the escrow arrangement and the Transaction are fair and reasonable when considered in the context of the Non-Associated Shareholders.

A copy of the Independent Expert's Report is attached to this Explanatory Memorandum as Annexure A. The Independent Expert has given, and has not withdrawn, its consent to the inclusion of its report in the Notice in the form and the context in which it appears.

Shareholders should carefully consider the Independent Expert's Report prepared by the Independent Expert for the purpose of the shareholder approval to the Escrow Deeds and as required under Item 7 of Section 611 of the Corporations Act.

8. Recommendation of the Directors of the Company

The Directors of the Company unanimously support the proposed sale transaction and recommend that Shareholders vote in favour of the Resolution to approve the Proposed Sale Transaction. The Directors of the Company intend to vote in favour of the Resolution to approve the Proposed Sale Transaction in respect of the Company's shares over which they have voting control, subject to the Independent Expert continuing to conclude that the Proposed Sale Transaction is reasonable to Shareholders.

Notwithstanding the conclusion of the Independent Expert that the Proposed Transaction is reasonable, the Directors of the Company vote in favour of the Proposed Sale Transaction.

The Directors believe the offer by Keybridge to acquire Aurora is fair and reasonable in the current market conditions. Since the global financial crisis there have been increased barriers to entry in the retail funds management business. To market investment strategies to retail investors requires a rating from an independent research house. Research houses ideally want a long term investment track record, an experienced investment team and capital to invest in sales and marketing. Over the last few years, with a limited balance sheet the Directors have been focused on maintaining profitability at the expense of investing in additional growth. This acquisition provides Aurora with the capital required to invest in the future growth of the business. It also provides staff with employment opportunities as part of a larger listed entity in Keybridge, and allows the investment team to be focused on providing investment returns for fund investors. The Company has provided limited liquidity to investors and this will allow shareholders to realise a return on their investment. Shareholders are able to participate in the growth of Aurora by acquiring shares in Keybridge.

INFORMATION FOR SHAREHOLDERS

Entitlement to attend and vote at the AGM

The Company has determined that for the purposes of ascertaining entitlements to attend and vote at the EGM, the shares in the Company on issue as at 7:00pm Sydney time on Friday, 20 February 2015, will be taken for the purpose of the EGM, to be held by the persons who hold them as registered members ("shareholders") at that time.

Proxies

A shareholder who is entitled to attend and vote at the EGM may appoint a proxy to attend and vote at the EGM on the shareholder's behalf. A proxy may be an individual or body corporate and is not required to be a shareholder of the Company. A shareholder who is entitled to cast two or more votes at the EGM may appoint two proxies and may specify the percentage or number of votes each proxy is appointed to exercise. Where a shareholder appoints two proxies but does not specify the percentage or number of votes each proxy may exercise, each proxy may exercise half of the appointing shareholder's votes. Fractions of votes will be disregarded.

A shareholder may direct the shareholder's proxy on how to vote on the proposed resolutions by following the instructions on the Proxy Form that accompanies this Notice of Meeting. If the shareholder appointing the proxy directs the proxy on how to vote on a proposed resolution, then the proxy may only vote in the way directed. If the shareholder does not direct the proxy on how to vote on a proposed resolution, then the proxy may vote on that resolution as the proxy thinks fit.

If you are unable to attend the meeting, you may appoint a proxy. You can do this by completing the enclosed Proxy Form to the Company's Share Registrar and returning it in the enclosed reply paid envelope, or fax it to 03 9111 5652. Your Proxy Form must be received by no later than 11:00am (Sydney time) on Friday, 20 February 2015.

Corporate Representatives

A body corporate that is a shareholder, or that has been appointed as a proxy of a shareholder, may appoint an individual to act as its representative at the AGM. The appointment must comply with the requirements of section 250D of the Corporations Act 2001 (Cth). An "Appointment of Corporate Representative" Form is available from the Company's Share Registrar (telephone 1300 55 66 35), or online at www.registrydirect.com.au. The representative must bring to the AGM the completed form, or evidence of his or her appointment (including the authority under the appointment is signed).

Shareholder Questions

Questions that are relevant to the business of the EGM (as outlined in this Notice of Meeting and Explanatory Memorandum), and to be addressed at the EGM, can be emailed to enquiries@aurorafunds.com.au.

LODGE YOUR VOTE

 www.registrydirect.com.au/investor/login/AFV

By mail

Aurora Funds Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003

By hand

Registry Direct
120 Collins Street
Melbourne VIC 3000

By facsimile

+61 3 9111 5652

All enquiries

1300 55 66 35 (within Australia)
+61 3 9020 7934 (outside Australia)

PROXY FORM

I/We being shareholder(s) of Aurora Funds Limited and entitled to attend and vote hereby:

STEP 1

APPOINT A PROXY

appoint the Chairman of Meeting (mark box)

☐

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write below the name of the person or the body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy and to vote for me/us on my/our behalf in accordance with the directions below or if no directions have been given, as the proxy sees fit, at the Extraordinary General Meeting of the Company to be held at 11:00am (Sydney time) on Tuesday, 24 March 2015, at Level 4, 1 Alfred Street, Sydney New South Wales 2000 (**Meeting**) and at any adjournment or postponement of the Meeting.

IMPORTANT NOTE – STEP 1

If two proxies are being appointed, the number or proportion of voting shares this proxy is appointed to represent is:

Chairman authorised to exercise undirected proxies.

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and do not direct your proxy how to vote on the Resolutions by signing and returning this form, you expressly authorise the Chairman of the Meeting to exercise the proxy in relation to the Resolutions.

The Chairman of the Meeting intends to vote all available proxies in favour of the Resolutions.

If you do not want the Chairman of the Meeting to vote your proxies in favour of the Resolutions, complete Step 2 below.

Proxy appointments will be valid and accepted by the Company only if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

STEP 2

VOTING DIRECTIONS

Agenda Item

Resolution 1: Approval of proposed sale of Aurora Funds Management Limited

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2: Approval of Return of Capital to Shareholders

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Resolution 3: Approval of issue of convertible note to Keybridge Capital Limited


<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Resolution 4: Change of Company Name

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

Resolution 5: Escrow Deed

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------	--------------------------

 *If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

Signing Instructions: This form should be signed by the securityholder. If a joint holding, all securityholders should sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth) (or for New Zealand companies, the Companies Act 1993).

HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Step 1 - Appoint a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in the box provided. If you leave this section blank, or your named proxy does not attend the Meeting or does not vote in accordance with your instructions, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company. A proxy may be an individual or a body corporate.

Step 2 - Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses subject to any applicable voting exclusions. If you mark more than one box on an item your vote on that item will be invalid.

Proxy voting by Key Management Personnel ("KMP")

Key Management Personnel ("KMP") of the Company (which includes each of the Directors), other than the Chairman of the Meeting, will not be able to vote your proxy on Resolution 5 unless you direct them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors) as your proxy, you can direct them how to vote on Resolution 5 by following the instructions on this form.

If the Chairman of the Meeting is or becomes your proxy by default, you can direct him how to vote by following the instructions on the proxy form. If you do not direct the Chairman of the Meeting how to vote, by signing and submitting this form, you will be expressly authorising the Chairman of the Meeting to exercise the proxy in respect of Resolution 5 even though they are connected to members of KMP.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.

(b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry.

Lodgement of a Proxy Form

This Form (and if required any Power of Attorney under which it is signed) must be received at an address given below by **11:00am Sydney time on Friday, 20 March 2015**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

Online

www.registrydirect.com.au/investor/login/AFV

Login to the Registry Direct website using the holding details as shown on the Form. Select My Votes and follow the prompts to lodge your vote or proxy. To use the online lodgement facility, shareholders will need their "Holder Number" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Form).

by Mail

Aurora Funds Limited
C/- Registry Direct
PO Box 18366
Collins Street East VIC 8003

by facsimile

+61 3 9111 5652

by hand

Registry Direct
120 Collins Street
Melbourne VIC 3000

If you would like to attend and vote at the Extraordinary General Meeting, please bring this form with you. This will assist in registering your attendance.

Annexure A – Independent Expert's Report



ShineWing Australia
Corporate Finance Pty Ltd
Accountants and Advisors
ABN 13 068 744 114
Level 10, 530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
F +61 3 8102 3400
shinewing.com.au

13 February 2015

The Directors
Aurora Funds Limited
Level 2, Professional Chambers
120 Collins Street
MELBOURNE VIC 3000

Dear Sirs,

INDEPENDENT EXPERT'S REPORT FOR SHAREHOLDERS OF AURORA FUNDS LIMITED

1. Introduction

On 19 December 2014 Aurora Funds Limited ("Aurora ") and Keybridge Capital Limited ("Keybridge") entered into a binding term sheet under which it is contemplated that Keybridge will acquire the funds management business of Aurora.

It is proposed that the acquisition will occur via Keybridge acquiring all of the shares in responsible entity, Aurora Funds Management Ltd ("AFML"), from Aurora and Keybridge and the Directors of Aurora and their associates who hold shares in Aurora, entering into the Escrow Arrangement (the "Proposed Transaction").

To the extent employees, agreements and licences and assets material to the funds management business are not employed, held or owned by AFML, Keybridge or AFML will employ those employees, take an assignment of those agreements and licences and purchase those assets.

The Proposed Transaction does not include Keybridge acquiring the significant investor visa business operated by Aurora.

The Directors have unanimously recommended that Shareholders, other than Keybridge, ("Non-associated Shareholders") vote in favour of the Proposed Transaction.

This letter contains a summary of ShineWing Australia Corporate Finance Pty Ltd's ("ShineWing") opinion and has been extracted from the full Independent Expert's Report. This letter and the report will accompany the Explanatory Memorandum sent to Non-associated Shareholders by Aurora.

2. Scope of our report

The Directors have engaged ShineWing to prepare an Independent Expert's Report stating whether, in our opinion, the Proposed Transaction is fair and reasonable to Non-associated Shareholders and setting out the reasons for our opinion.

3. Basis of evaluation

In preparing our report we have had regard to the Regulatory Guides issued by ASIC, in particular the guidelines set out in ASIC Regulatory Guide 111 "Content of expert reports" ("RG 111").

The ASX Listing Rules and the Corporations Act 2001 do not define the term 'fair and reasonable'. However, RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. In this regard, RG 111 provides that:

- an offer is fair if the value of the consideration being offered is equal to or greater than the value of the assets that are the subject of the offer. This comparison is required to be made assuming an acquisition of 100% of the business and irrespective of whether the consideration is scrip or cash;

- an offer is reasonable if it is fair;
- an offer may be reasonable if, despite being not fair, the expert believes there are other reasons for shareholders to accept the offer in the absence of any higher offer before it closes.

4. Summary of opinion

In ShineWing's view, the Proposed Transaction is fair and reasonable to Non-associated Shareholders.

Full details of our opinion and the reasons for our opinion are set out in section 7 of our report. The following is a summary of the reasons for our opinion.

4.1 Fairness of the Proposed Transaction

In order to assess whether the Proposed Transaction is fair to Non-associated Shareholders, we compared the EBITDA, PE and FUM multiples implied by the Proposed Transaction with the earnings multiples and FUM multiples from the comparable companies and comparable transactions, on a controlling basis, as set out below:

	EBITDA Multiples		PE Multiples		FUM Multiples	
	Low	High	Low	High	Low	High
Proposed Transaction	10.3x	10.3x	14.8x	14.8x	2.3%	2.3%
Comparable companies	7.6x	9.4x	14.1x	15.9x	2.0%	2.5%

As the multiples implied by the Proposed Transaction are greater than or within the range of the assessed multiples of the comparable companies and transactions on a controlling basis, in our opinion the Proposed Transaction is fair to Non-associated Shareholders.

4.2 Reasonableness of the Proposed Transaction

As the Proposed Transaction is fair to Non-associated Shareholders it is also reasonable to Non-associated Shareholders. In accordance with RG 111 we have also considered the following additional factors in assessing the reasonableness of the Proposed Transaction.

4.2.1 Advantages and Disadvantages of the Proposed Transaction to Non-associated Shareholders

Our assessment of the advantages and disadvantages of the Proposed Transaction for Non-associated Shareholders is set out in section 7 of our report. Set out below is a summary of those advantages and disadvantages.

Advantages	Disadvantages
The Proposed Transaction will provide liquidity for Non-associated Shareholders in what is otherwise a relatively illiquid investment.	Non-associated Shareholders will no longer have exposure to the management of equity funds via their investment in Aurora.
The Proposed Transaction provides a high element of certainty in that the majority of the Consideration is payable upfront in cash.	Aurora will be a significantly smaller company post the Proposed Transaction and may be more illiquid than it presently is.
Shareholders will continue to own their Shares in Aurora after receiving the proceeds from the Proposed Transaction.	The Escrow Arrangement will limit Aurora's ability to explore takeover offers and new business opportunities as 63.15% of the Shares will be held in escrow for a period of up to 5 years.
	The unavoidable costs associated with the Proposed Transaction are estimated to be \$55,000 plus GST. In addition, under certain circumstances documented in

Advantages	Disadvantages
	the Term Sheet, Aurora must pay Keybridge \$43,000 plus GST if the Proposed Transaction is not completed.

4.2.2 Other factors

The table below outlines other key factors we have considered in assessing the reasonableness of the Proposed Transaction to Non-associated Shareholders.

Other factors	Explanation
Certainty exists of the resolutions to approve the Proposed Transaction being passed.	The Directors and their associates hold 54.1% of the Shares able to be voted on resolutions 1 and 5. The Directors have stated they will vote in favour of the Proposed Transaction at the extraordinary general meeting of Shareholders.
The value of the Consideration payable by Keybridge is not fixed.	The Consideration payable by Keybridge can be reduced if funds under management fall below \$170m at completion of the Proposed Transaction and \$150m at the time the Deferred Consideration is payable. However, the Consideration will also be increased by the net assets of AFML at the date of completion.
Aurora will continue to operate the SIV Business.	Post the Proposed Transaction, Aurora will continue to run the SIV Business which is not being sold to Keybridge. However, Keybridge, through AFML, will operate the business for Aurora and charge a fee to Aurora equal to cost recovery plus 50% of the profits derived by Aurora from the SIV Business.
There are limited alternatives available to Non-associated Shareholders who are not Directors or associates of Directors.	<p>It is possible that an alternative proposal involving Aurora may emerge. We note that:</p> <ul style="list-style-type: none"> the Directors have advised us that no alternative proposals have been received by Aurora at the date of this report; the terms of the Proposed Transaction prevent Aurora from actively seeking alternative acquirers or from negotiating or otherwise co-operating with them in the formulation of a superior proposal. A break fee of \$43,000 plus GST may be payable if Aurora entered into an alternative proposal; and Keybridge hold 19.85% of the Shares in Aurora which might deter another party from making a superior proposal. <p>These factors make it unlikely that another entity would consider making a superior offer.</p> <p>As noted above, the Directors and their associates control 54.1% of the Shares on Aurora. Therefore, the resolution to approve the Proposed Transaction will be passed, subject to Aurora receiving a superior offer. This means that Non-associated Shareholders who are not Directors or associates of Directors do not have the capacity to affect the outcome of the extraordinary general meeting or any other realistic alternatives.</p>
Taxation	There may be certain tax implications for individual Shareholders in connection with the Proposed Transaction and return of capital. The exact nature and impact is uncertain and will depend on the profile of each Aurora Shareholder. In weighing up the merits of the Proposed Transaction, Non-associated Shareholders need to keep in mind the specific tax consequences relevant to their individual

Other factors	Explanation
	<p>circumstances.</p> <p>There may also be tax implications for Aurora on disposing of its 100% owned subsidiary, AFML. ShineWing has not been engaged to provide taxation advice in this regard.</p>

5. Other matters

The ultimate decision whether to approve the Proposed Transaction should be based on Non-associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

If in doubt about the Proposed Transaction or matters dealt with in this report, Non-associated Shareholders should seek independent professional advice.

Our report has been prepared specifically for Non-associated Shareholders. ShineWing expressly disclaims any liability to any other party who relies or purports to rely on our report for any purpose whatsoever.

Our report contains only general financial product advice as it was prepared without taking into account the effect of the Proposed Transaction on the particular circumstances of individual Non-associated Shareholders and we have not taken into account the personal objectives, financial situation or needs of individual Non-associated Shareholders. You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice. You may wish to seek your own financial advice to assist you in assessing the advice in this report. Our Financial Services Guide is set out in Appendix 1.

ShineWing has not provided any taxation advice in relation to the Proposed Transaction. Non-associated Shareholders should consider the information contained in the Notice of Meeting and Explanatory Memorandum as well as obtaining their own taxation advice in relation to any potential taxation implications.

The conclusion and opinions in our report were made at the date of this letter and reflect the circumstances and conditions at that date.

Yours faithfully



Grant Sincock
Authorised Representative
SHINEWING AUSTRALIA
CORPORATE FINANCE PTY LTD

Table of Contents

1. The Proposed Transaction	6
1.1 Background	6
1.2 Terms of the Proposed Transaction	7
1.3 Conditions of the Proposed Transaction	9
1.4 Effect of the Proposed Transaction on Aurora	9
1.5 Directors' Recommendation	10
1.6 Voting Intentions	10
2. Scope of Our Report	11
2.1 Purpose	11
2.2 Scope	11
2.3 Basis of assessment	11
2.4 General Financial Product Advice	12
2.5 Future performance and events	13
2.6 Limitations and reliance on information	13
3. Valuation Methodologies	14
3.1 Definition of Value	14
3.2 Overview of Valuation Methods	14
3.3 Selection of Methods	14
4. Overview of Aurora	16
4.1 Company Overview	16
4.2 Financial Performance	16
4.3 Financial Position	18
4.4 Managed Funds	19
4.5 Capital Structure	21
4.6 Directors	21
5. Implied Proposed Transaction multiples	22
5.1 Valuation approach	22
5.2 Implied multiples of the Funds Management Business	22
5.2.1 <i>The adjusted FY2015 Aurora budget</i>	22
5.2.2 <i>Fair value of Consideration</i>	23
5.3 Ratio of FUM to Consideration	23
6. Comparable earnings multiples	25
6.1 Earnings multiples	25
6.1.1 <i>Trading multiples</i>	25
6.1.2 <i>Transaction Multiples</i>	25
6.1.3 <i>Earnings multiple analysis</i>	26
6.2 Ratio of FUM to equity value	27
7. Evaluation of the Proposed Transaction	28
7.1 Fairness of the Proposed Transaction	28
7.2 Reasonableness of the Proposed Transaction	28
7.2.1 <i>Advantages of Approving the Proposed Transaction</i>	28
7.2.2 <i>Disadvantages of Approving the Proposed Transaction</i>	29
7.2.3 <i>Other factors</i>	30
7.3 Conclusion	31
Appendix 1: Financial Services Guide – 13 February 2015	32
Appendix 2: Disclosures	33
Appendix 3: Overview of Business Valuation Methodologies	35
Appendix 4: Weighted Average Cost of Capital	38
Appendix 5: Sources of Information	41
Appendix 6: Glossary	42

1. The Proposed Transaction

1.1 Background

On 19 December 2014 Aurora Funds Limited ("Aurora ") and Keybridge Capital Limited ("Keybridge") entered into a binding term sheet ("Term Sheet") under which Keybridge will acquire the funds management business of Aurora, subject to certain conditions being met.

The funds management business of Aurora being acquired by Keybridge can be summarised as:

- the Aurora Funds Management Limited ("AFML") and it's AFSL;
- the management agreements with the:
 - Absolute Return Fund;
 - Aurora Fortitude Absolute Return Fund;
 - Dividend Income Trust;
 - Global Income Trust; and
 - Property Buy-Write;
- the employees of Aurora;
- all other agreements and licences material to the business not held by AFML but with other Aurora related entities; and
- all assets material to the business not held or owned by AFML but with other Aurora related entities;

collectively, the Funds Management Business.

It is proposed that the acquisition will occur via:

- Keybridge acquiring all of the shares in responsible entity, Aurora Funds Management Ltd ("AFML"), from Aurora; and
- to the extent employees, agreements and licences (including management agreements and AFSLs) and assets material to the Business are not employed, held or owned by the RE, Keybridge (or AFML) employing those employees, taking an assignment of those agreements and licences (to the extent assignable) and purchasing those assets; and
- Keybridge and the Directors of Aurora and their associates who hold shares in Aurora, entering into the Escrow Arrangement described in section 1.2 of this report;

collectively, the Proposed Transaction.

The Proposed Transaction requires approval by Shareholders, other than Keybridge, ("Non-associated Shareholders"). Resolutions 1 and 5 in the Notice of Meeting relate to the Proposed Transaction, as defined above, and the analysis and conclusions contained in this report.

The Proposed Transaction does not include Keybridge acquiring the significant investor visa business ("SIV Business") operated by Aurora. The SIV Business will continue to be operated by Aurora with AFML being contracted to continue to provide responsible entity services.

Aurora is an ASX listed funds manager with four ASX listed managed funds, one unlisted managed fund and a SIV Business. Section 4 of this report contains information on Aurora.

Keybridge is an ASX listed financial services company that invests in, or lends to, transactions that are backed by real estate, financial assets or cashflow.

The Directors have requested ShineWing Australia Corporate Finance Pty Ltd ("ShineWing") prepare an Independent Expert's Report to be included in the Explanatory Memorandum to be sent to Shareholders to:

- assist the Directors assess the Proposed Transaction and make a recommendation to Shareholders, other than Keybridge, ("Non-associated Shareholders"); and

- to provide Non-associated Shareholders with the information that is material to making an informed decision on how to vote on the resolution to approve the Proposed Transaction.

The ultimate decision whether to approve the Proposed Transaction should be based on Non-associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions.

If in doubt about the Proposed Transaction or matters dealt with in this report, Non-associated Shareholders should seek independent professional advice.

1.2 Terms of the Proposed Transaction

The key terms of the Proposed Transaction are contained in the Term Sheet and are summarised in the table below:

Term	Summary		
Funds management business	<p>The funds management business being acquired by Keybridge comprises the following managed funds:</p> <ul style="list-style-type: none"> • Absolute Return Fund (ASX:ABW); • Aurora Fortitude Absolute Return Fund; • Dividend Income Trust (ASX:AOD); • Global Income Trust (ASX:AIB); and • Property Buy-Write (ASX:AUP). 		
Consideration			
	Component	Amount and Timing	Conditions
	Completion Payment	<p>\$3.5 million</p> <p>Payable at completion</p>	<p>To be reduced or increased for net assets of the Funds Management Business at completion (assuming a zero target amount). Without limitation, liabilities will include all employee entitlements, make good obligations in respect of the Melbourne lease and taxes up to Completion.</p> <p>To be reduced by 2.5c per \$1 that the Retail FUM at Completion is less than \$170 million.</p>
	Deferred Consideration	<p>\$800,000</p> <p>Payable 12 months from completion</p>	<p>Subject to Keybridge's right of set-off for warranty/indemnity claims (such as claims made against AFML).</p>

Term	Summary
	<p>To be reduced by 2.75c per \$1 that the Retail FUM as at the first anniversary of Completion is less than \$150 million.</p> <hr/> <p>All Consideration will be paid to Aurora in cash.</p>
Acquisition of Fortitude Capital Pty Ltd	Subject to due diligence, Keybridge may also acquire all of the shares of Fortitude Capital Pty Ltd held by Aurora, for no additional Consideration.
The SIV Business	The Proposed Transaction will not involve Keybridge acquiring the Significant Investment Visas business operated by Aurora however AFML will continue to act as trustee of the SIV Fund after completion.
Exclusivity	<p>Until a month after the proposed date for execution of transaction documents Aurora must:</p> <p>(a) not, directly or indirectly or via any other party or representative, solicit or encourage or enter into any discussions or negotiations or provide any other party with any information in respect of, any competing proposal; and</p> <p>(b) promptly notify Keybridge if Aurora or a representative of Aurora receives or becomes aware of any direct or indirect approach or attempt by a third party in relation to a competing proposal.</p>
Break Fee	Under certain circumstances documented in the Term Sheet, Aurora must pay Keybridge \$43,000 plus GST if the Proposed Transaction is not completed.
Transitional services and line of credit	<p>For a period of up to five years from completion, Keybridge will:</p> <p>(a) co-operate with Aurora and continue to operate the SIV Fund as responsible entity in a manner consistent with operation of the SIV Fund prior to completion. The parties will enter into a co-operation agreement to give effect to this arrangement. The services of AFML will be provided on a cost-recovery basis (but capped at \$10,000 p.a. if Aurora is not profitable prior to this fee) plus 50% of profits derived by Aurora from the SIV Business will be paid to AFML and made available to the transferring employees' bonus pool; and</p> <p>(b) provide a line of credit of up to \$400,000 which Aurora can drawdown to cover its operating costs. The loan will be secured and attract interest at 8% per annum payable monthly in arrears and if not repaid will capitalise. If the principal and any accrued interest is not repaid within five years from completion, the amount outstanding will be convertible, at either party's election, to Shares in Aurora calculated at the lower of the 20 day VWAP of Shares in Aurora and the book value of Aurora's assets.</p>
Warranties and indemnities	<p>The transaction documents will contain warranties and indemnities in favour of Keybridge and of a nature customary for a sale of this type.</p> <p>The liability of Aurora will be limited to the Deferred Consideration.</p>
Escrow Arrangement	<p>The Proposed Transaction is conditional on Keybridge and the Directors who hold Shares entering into the escrow arrangement on the following terms:</p> <ul style="list-style-type: none"> for a period of 5 years from completion or until such time as the last significant investor withdraws their investment from the SIV Fund, Keybridge and the Directors will agree to hold their Shares in Aurora in escrow so that they may

Term	Summary
	<p>continue to control the Aurora Board;</p> <ul style="list-style-type: none"> during the escrow period, the parties will not dispose of their Shares, encumber them, agree to permit or act in accordance with any third party's voting directions or otherwise permit transfer of the effective control of those Shares; Keybridge will not vote on any resolution for the appointment or removal of a Director ; the Directors will vote in favour of one nominee of Keybridge being appointed to the Board; and the restrictions that apply to the Shares may only be cancelled during the escrow period by all the parties to the escrow arrangement.

1.3 Conditions of the Proposed Transaction

The completion of the sale of the Funds Management Business is subject to satisfaction of a number of conditions including:

- Shareholders having approved the Proposed Transaction;
 - ASX having no objection to the other conditions of the Proposed Transaction;
 - Shareholders having approved the escrow arrangement;
 - Shareholders having approved a return of capital equivalent to all of the Consideration paid to Aurora in relation to the Proposed Transaction, less \$100,000;
 - Keybridge obtaining any necessary consent or approval in respect of the AFSL held by AFML or other AFSL required for the conduct of the Funds Management Business;
 - Aurora obtaining any necessary third party consents under agreements which are material to the Funds Management Business;
 - the ABW and AOD funds remaining independently rated at a level comparable to the level as at the date of the Term Sheet up to the date of completion;
 - no material adverse change having occurred in relation to the Funds Management Business between execution and completion; and
- key employees of Aurora identified by Keybridge having signed new employment agreements with Keybridge.

Section 3.3 of the Explanatory Memorandum contains further information on the conditions precedent of the Proposed Transaction.

1.4 Effect of the Proposed Transaction on Aurora

If the Proposed Transaction is approved by Non-associated Shareholders, Aurora will have disposed of its main business.

Aurora will retain the SIV Business and the SIV Fund will continue to acquire debentures issued by Aurora corresponding to interests issued under the SIV Fund. AFML will operate the SIV Business as the responsible entity and Keybridge will provide a secured line of credit up to \$400,000 and to Aurora to cover operating costs. Interest will be charged at 8% per annum.

Aurora's \$1,000,000 subordinated loan to AFML will remain in place and AFML will continue to pay interest on the loan at the RBA cash rate plus 6%. The term of the subordination deed ends on 22 October 2015.

Shareholders will be exposed to the risks and benefits of the SIV Business and the subordinated loan.

Section 3.5 of the Explanatory Memorandum contains further information of the financial effect of the Proposed Transaction on Aurora.

1.5 Directors' Recommendation

The Directors have unanimously recommended that Non-associated Shareholders vote in favour of the Proposed Transaction.

1.6 Voting Intentions

The Directors intend to vote any open proxies they hold in favour of the Proposed Transaction, in the absence of a superior proposal.

Directors will be entitled to vote any Shares they control in Aurora at the meetings of Shareholders.

Keybridge will not vote any Shares it controls in Aurora at the meeting of Shareholders

2. Scope of Our Report

2.1 Purpose

This report has been prepared by ShineWing for inclusion in the Notice of Extraordinary General Meeting and Explanatory Memorandum of Aurora to:

- assist the Directors assess the Proposed Transaction and make a recommendation to Non-associated Shareholders; and
- to provide Non-associated Shareholders with the information that is material to making an informed decision on how to vote on the resolution to approve the Proposed Transaction.

The sole purpose of this report is to express our opinion as to whether the Proposed Transaction is fair and reasonable to Non-associated Shareholders. This report should not be used for any other purpose.

The ultimate decision whether to accept the Proposed Transaction should be based on Non-associated Shareholders' assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Proposed Transaction or matters dealt with in this report, Non-associated Shareholders should seek independent professional advice.

2.2 Scope

ASX Listing Rule 10.1 requires shareholder approval for the sale of a substantial asset to a shareholder who had a relevant interest at any time in the 6 months before the transaction in at least 10% of the total voting shares in the company. On 19 December 2014, Keybridge held 2,217,216 Shares, which equates to 19.85% of the issued capital of Aurora.

ASX Listing Rule 10.10.2 requires an Independent Expert's Report to be prepared when a substantial asset is being acquired by a substantial shareholder. The report must include the expert's opinion as to whether the transaction is fair and reasonable to shareholders whose votes are not to be disregarded. For this reason, and to ensure that Shareholders are fully informed, Aurora's Directors commissioned this report.

ASIC Regulatory Guide 111 "*Content of expert reports*" ("RG 111") explores the concepts of 'fair' and 'reasonable' and provides guidance on the application and interpretation in the context of a related party transaction. In determining whether the Proposed Transaction is fair and reasonable to Non-associated Shareholders we will assess fairness and reasonableness separately rather than as a composite test.

2.3 Basis of assessment

In preparing our report we have had regard to the Regulatory Guides issued by ASIC, in particular the guidelines set out in RG 111.

The ASX Listing Rules do not define the phrase 'fair and reasonable'; however, RG 111 provides that each of these criteria be assessed individually and not as a compound phrase. In this regard, RG 111 provides that a transaction with a person in a position of influence that requires member approval under ASX Listing Rule 10:

- is fair if the value of the consideration being offered is equal to or greater than the value of the assets that are the subject of the offer. This comparison is required to be made assuming an acquisition of 100% of the business and irrespective of whether the consideration is scrip or cash;
- is reasonable if it is fair;
- may be reasonable if, despite being not fair, the expert believes there are other reasons for shareholders to accept the offer in the absence of any higher offer before it closes.

When deciding whether a proposed transaction is reasonable the following are factors an expert might consider:

- the financial situation and solvency of the entity if the consideration for the financial benefit is cash;
- opportunity costs;
- the alternative options available to the entity and the likelihood of those options occurring;
- the entity's bargaining position;
- whether there is selective treatment of any security holder, particularly the related party;
- any special value of the transaction to the purchaser, such as particular technology or the potential to write off outstanding loans from the target; and
- the liquidity of the market in the entity's securities.

While the acquisition of the Funds Management Business by Keybridge is not a control transaction, such as a takeover, it will result in Aurora disposing of its main business. For this reason we have also considered the additional guidelines in RG 111 as they apply to assessing whether a takeover offer is reasonable:

- the bidder's pre-existing voting power in securities in the target;
- other significant security holding blocks in the target;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative bidder and likelihood of an alternative offer being made

The factors we considered in assessing whether the Proposed Transaction is fair and reasonable are summarised in the table below.

Evaluation of the Proposed Transaction for Shareholders

- The fair value of Aurora's Funds Management Business.
- The value of the Consideration being offered by Keybridge.
- The difference between the market value and the Consideration being offered.
- Keybridge's existing 19.85% shareholding in Aurora.
- Other significant share holding blocks in Aurora.
- The return of capital to Shareholders.
- The impact on Non-associated Shareholders of the Escrow Arrangement.
- Taxation losses in Aurora and Aurora Funds Management Limited.
- Are Shares considered liquid?
- The likely share price of Aurora if the Proposed Transaction is unsuccessful.
- The value of Aurora to an alternative bidder and the likelihood of an alternative offer being made.
- What are the implications for Non-associated Shareholders if the Proposed Transaction does not proceed?
- What other advantages and disadvantages are there if Non-associated Shareholders approve the Proposed Transaction?

2.4 General Financial Product Advice

This report contains only general financial product advice as it was prepared without taking into account the effect of the Proposed Transaction on the particular circumstances of individual Shareholders and we have not taken into account the personal objectives, financial situation or needs of individual Shareholders.

You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice. Individual Shareholders should seek their own financial advice.

Appendix 1 contains our Financial Services Guide.

2.5 Future performance and events

Included in this report is information on future performance and events. This information does not purport to be forecast financial information but scenarios and assumptions developed and adopted for the purpose of determining a valuation range.

2.6 Limitations and reliance on information

It is not intended that this report should be used or relied on for any purpose other than the purpose stated in section 2.1. ShineWing expressly disclaims any liability to any Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

No extract, quote or copy of this report, in whole or in part, should be reproduced without the prior written consent of ShineWing, as to the form and context in which it appears.

Statements and opinions contained in this report are given in good faith. Our report is based on financial and other information provided by Aurora and public and non-public information. A listing of this information is included in Appendix 5 of this report. In forming our opinions we have reviewed and relied on this information and believe that the information provided is reliable, accurate, complete and not misleading. Although this information has been evaluated through analysis, enquiry and review to the extent we regard as appropriate for the purposes of this report, inherently such information is not always capable of independent verification. We have no reason to believe that material facts or information have been withheld by Aurora. Our enquiries and procedures do not constitute an audit, extensive examination or “due diligence” investigation. None of these assignments have been undertaken by ShineWing.

In forming the opinions expressed in this report, the opinions and judgements of management of Aurora have been considered. Although this information has been evaluated through analysis, enquiry and review to the extent practical, inherently such information is not always capable of independent verification.

Our opinion is based on market, economic and other factors existing at the date of this report. Such conditions can change significantly in short periods of time. We in no way guarantee, explicitly or otherwise, whether future profits will be achieved. Budgets, forecasts and projections are inherently uncertain. They include assumptions regarding future events which are beyond the control of Aurora. Actual results may vary significantly from forecasts and budgets which will impact the valuation of the business.

Amounts in this report are in Australian Dollars unless otherwise stated.

Draft copies of this report were provided to the Directors, management and advisers of Aurora for them to review the factual accuracy of the report. The opinions in the report were not subject to review by those parties and remain the responsibility of ShineWing. Changes made to this report as a result of the reviews for factual accuracy have not changed the conclusions reached by us.

3. Valuation Methodologies

3.1 Definition of Value

ShineWing has assessed the value of the Funds Management Business using the concept of fair value. Fair value is commonly defined as: the price that would be negotiated in an open and unrestrained market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm's length.

This definition implies that the circumstances of the valuation are hypothetical, without regard to the identity of either the buyer or the seller. Accordingly, the specific circumstances of a particular party are not taken into account (e.g. special value) to the extent that such circumstances do not apply to other parties. This is because, hypothetically, a purchaser that can extract unique special value is unlikely to fully include the special value in an offer price where such value is not available to other parties.

3.2 Overview of Valuation Methods

RG 111 sets out the valuation methods appropriate for an independent expert to consider when, amongst other things, valuing shares or assets for the purpose of a related party transaction. These include:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples (appropriate to the business or industry in which the entity operates) to the estimated future maintainable earnings or cash flows of the entity (capitalisation of future maintainable earnings method), added to the estimated realisable value of any surplus assets;
- the amount that would be available for distribution to security holders on an orderly realisation of assets;
- the quoted price for listed securities, when there is a liquid and active market and allowing for the fact that the quoted price may not reflect their value, should 100% of the securities be available for sale; and
- any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

ASIC does not suggest that these lists are exhaustive or that an independent expert should use a particular valuation method. Rather, each of the above valuation methods has application in different circumstances. These circumstances include the nature, profitability and financial position of the business being valued and the quality of information available. The decision as to which method to use lies with the expert based on the expert's skill and judgement.

It is normal practice to utilise a combination of the methods in performing a valuation to provide an effective cross-check of the results derived from the utilisation of the primary valuation approach.

A detailed overview of potential business valuation methodologies is provided in Appendix 3.

3.3 Selection of Methods

Having regard to the nature of the Funds Management Business and the available information, we have compared the EBITDA and PE multiples implied by the fair value of the Consideration under the Proposed Transaction to the FY2015 EBITDA and PE multiples of comparable ASX listed companies and the PE multiples derived from recent comparable transactions.

The EBITDA and NPAT of the Funds Management Business have been determined by reference to the FY2015 budgets prepared by management for Aurora Funds Management Limited.

We have adopted this approach for the following reasons:

- forecasting FUM for a period of at least 5 years is inherently difficult as it relies upon factors that are not necessarily controllable by Aurora, such as: movements in the markets the underlying managed funds are invested in, the performance of the companies each managed fund is invested in, the inflow of FUM into the managed funds from new and existing investors, the outflow of funds from investors exiting the managed funds and general macro economic conditions. As the operating income of the Funds Management Business is management fees based on a percentage of FUM and performance fees based on the underlying performance of the managed funds, long term forecasts for valuation purposes are not available to enable us to use the DCF method;
- the Funds Management Business has historically, not been profitable and only broke even in FY2014. Furthermore, FUM has grown substantially over the last 2 years although projecting future growth beyond FY2015 inherently difficult, as stated above. Therefore, we do not believe future maintainable earnings can be accurately determined with any degree of confidence and reliability;
- Our analysis of the movements in Aurora's share price and trading volumes shows that the Shares are illiquid stock for valuation purposes. The illiquid nature of the Shares is due to Aurora being a micro-cap which results in many funds not being required to or may be restricted from holding the stock, stockbrokers are unlikely to produce research reports on the company and Directors hold 43% of the Shares in Aurora and Keybridge hold a stake of 19.85%; and
- Aurora have prepared a budget for FY2015. We have assessed the reliability of the budget by comparing the budget to actual performance to 31 October 2014 and assessed the assumptions for the balance of the financial year based on the historic growth in FUM and expected results to 30 June 2015. The expenses of the business are budgeted based on prior years, an allowance for growth and any expected increases in employee numbers. However, the FY2015 budget should not be considered an assessment of future maintainable earnings for the reasons mentioned above.

The capitalisation of earnings method requires an assessment of the following:

- the EBITDA and PE multiples implied by the Consideration being paid by Keybridge and the budgeted results for FY2015;
- the fair value of the deferred Consideration, which is discounted at Aurora's WACC;
- the FY2015 budget. In assessing the budget we have taken into account for the following:
 - actual management fees for the 4 month period to 31 October 2014;
 - management fee income derived from an institutional mandate during the 3 month period to 30 September 2014. The mandate ended in September 2014;
 - performance fee income based on the performance fees of the last 3 financial years;
 - employee bonus expense based on the bonuses of the last 3 financial years;
 - depreciation and interest income and expense; and
 - registry and ASX fees have been excluded from expenses as a potential purchaser is unlikely to incur these expenses in the future by acquiring 100% of the unlisted AFML.
- the EBITDA and PE multiples of comparable companies trading on the ASX;
- the PE multiples of comparable transactions; and
- adjustments required to comparable multiples to reflect a control premium on trading multiples and differences in liquidity and marketability.

We have also cross checked our analysis by calculating the Consideration as a percentage of FUM of the Funds Management Business compared to the market capitalisation as a percentage of FUM of the comparable companies.

4. Overview of Aurora

4.1 Company Overview

Aurora and its subsidiaries provide asset management and responsible entity/trustee services to Australian and New Zealand investors. Aurora was listed on the ASX in July 2010 with the ASX Code: AFV.

AFML, a wholly owned subsidiary of Aurora, was established in 2003 and is the issuer and responsible entity of the funds managed by the Aurora group. Fortitude Capital Pty Ltd, a wholly owned subsidiary of Aurora, was established in 2002 and is the investment manager of the funds managed by the Aurora group.

Aurora is a boutique funds manager specialising in managing funds that invest in Australian and global listed securities and derivatives, in a tax efficient manner. Aurora's investment philosophy is to offer investors independently researched investment ideas and products that are well managed and provide excellent portfolio diversification.

4.2 Financial Performance

The following table sets out the summarised consolidated historical financial performance of Aurora.

Aurora Funds Limited - Profit & Loss				
AUD\$	FY2012	FY2013	FY2014	YTD2015 (Dec)
Revenue from continuing operations	3,017,725	3,407,926	4,266,336	1,893,303
Occupancy expenses	(127,115)	(124,445)	(143,786)	(70,718)
Personnel expenses	(1,976,279)	(2,123,133)	(2,581,383)	(718,384)
Share based payment	(500,000)	(500,000)	0	0
Fund expenses	(822,404)	(712,792)	(698,722)	(358,978)
Other expenses	(355,512)	(362,281)	(429,893)	(177,783)
Finance costs	(103,994)	(93,678)	(109,070)	(42,849)
Impairment of intangibles and goodwill	(143,785)	0	0	0
Total operating expenses	4,029,089	3,916,329	3,962,854	1,368,712
Net Operating Profit/(Loss) before income tax	(1,011,364)	(508,403)	303,482	524,591

Source: Aurora's financial reports for the years ended 30 June 2012, 2013 and 2014 and management accounts as at 31 December 2014

The following table sets out the summarised historical financial performance of AFML, the entity being acquired by Keybridge.

Aurora Funds Management Limited - Profit & Loss				
AUD\$	FY2012	FY2013	FY2014	YTD2015 (Dec)
Revenue from continuing operations	2,959,711	3,360,504	4,201,850	1,893,303
Occupancy expenses	(127,115)	(124,445)	(147,550)	(70,718)
Audit expenses	(60,130)	(58,786)	(68,850)	(42,500)
Personnel expenses	(1,976,279)	(2,123,133)	(2,540,105)	(698,949)
Finance costs	(207,699)	(182,500)	(83,369)	(42,849)
Fund expenses	(822,404)	(712,792)	(698,722)	(358,978)
Other expenses	(293,440)	(301,992)	(400,507)	(154,718)
Total operating expenses	(3,487,067)	(3,503,648)	(3,939,103)	(1,368,712)
Net Operating Profit/(Loss) before income tax	(527,356)	(143,144)	262,747	524,591

Source: AFML's financial reports for the years ended 30 June 2012, 2013 and management accounts as at 30 June 2014 and 31 December 2014

We note the following with regards to Aurora and AFML's historic income statements:

- the Aurora consolidated profit and loss incorporates the results from the Funds Management Business operated through AFML;
- revenue has been increasing year on year as FUM has grown giving rise to an increase in management fees. Performance fees were earned by AFML in FY2012, FY2013 and FY2014. YTD2015 does not include any performance fees as these are not determined until later in the financial year. Section 4.4 shows the growth in Retail FUM;
- Aurora and AFML made losses in FY2012 and FY2013 in the Funds Management Business. The losses in Aurora were increased by share based payments of \$500k in FY2012 and FY2013 and an impairment charge on intangible assets in FY2012. The share based payments arose as a result of the acquisition of Fortitude Capital Pty Ltd and represent the Deferred Consideration of 750,000 Shares amortised over the 3 years to 12 July 2013;
- the profit generated by AFML in FY2014 was the result of:
 - FUM increased by approximately \$96 million in the managed funds;
 - the SIV Business was established during FY2014 and \$8,903,000 in corporate bonds were issued to the SIV Fund. The SIV Business contributed net income to AFML and Aurora of approximately \$360k; and
- the results for the 6 months to 31 December 2014 show growth in profit from FY2014, however, the following factors need to be considered:
 - \$121k in management fees is non-recurring due to the loss of an institutional mandate in the first 3 months of the financial year;
 - \$375k of the profit relates to the SIV Business which is not being acquired by Keybridge; and
 - the results for the 6 months do not include performance fee income or staff bonuses as they are not possible to determine until later in the financial year.

4.3 Financial Position

The following table sets out the consolidated historical financial position of Aurora.

Aurora Funds Limited Consolidated Balance Sheet		
AUD\$	FY2014	YTD2015
Current assets		
Cash and cash equivalents	4,074,683	4,025,144
Trade and other receivables	621,487	667,433
Other current assets	64,524	61,314
Total current assets	4,760,694	4,753,891
Non-current assets		
Plant and equipment	38,583	39,728
Deferred tax asset	843,398	843,398
Loans and receivables	8,903,000	46,903,000
Intangible assets	3,822,006	3,822,006
Total non-current assets	13,606,987	51,608,132
Total assets	18,367,682	56,362,023
Current liabilities		
Trade and other payables	1,223,652	693,170
Short-term borrowings	21,192	21,425
Total current liabilities	1,244,844	714,595
Non-current liabilities		
Trade and other payables	71,308	71,308
Other non-current liabilities	107,457	107,457
Financial liabilities	8,903,000	46,903,000
Sub-ordinated debt	1,000,000	1,000,000
Total non-current liabilities	10,081,765	48,081,765
Total liabilities	11,326,609	48,796,360
Net assets	7,041,072	7,565,663
Equity		
Share capital	12,957,414	12,957,414
Share based payment reserve	0	0
Accumulated losses	(5,916,342)	(5,391,750)
Total equity	7,041,072	7,565,663

Source: Aurora's financial report as at 30 June 2014 and management accounts as at 31 December 2014.

The following table sets out the historical financial position of AFML.

Aurora Funds Management Limited Balance Sheet		
AUD\$	FY2014	YTD2015
Current assets		
Cash and cash equivalents	2,769,446	2,855,921
Trade and other receivables	997,996	1,014,737
Other current assets	46,025	42,815
Total current assets	3,813,467	3,913,473
Non-current assets		
Plant and equipment	38,583	39,728
Deferred tax asset	255,114	255,114
Total non-current assets	293,697	294,842
Total assets	4,107,164	4,208,315
Current liabilities		
Trade and other payables	1,240,762	817,090
Total current liabilities	1,240,762	817,090
Non-current liabilities		
Other non-current liabilities	162,148	162,148
Sub-ordinated debt	2,021,191	2,021,424
Total non-current liabilities	2,183,339	2,183,572
Total liabilities	3,424,101	3,000,662
Net assets	683,063	1,207,653
Equity		
Share capital	1,525,005	1,525,005
Accumulated losses	(841,942)	(317,352)
Total equity	683,063	1,207,653

Source: AFML's financial report for the year ended and 30 June 2014 and management accounts for the half year ended 31 December 2014.

We note the following with regards to Aurora and AFML's historic balance sheets:

- Aurora's consolidated balance sheet incorporates AFML's balance sheet after eliminating inter entity transactions;
- the main difference between Aurora and AFML's balance sheets are the non-current loans receivable and non-current financial liabilities. These balances relate to the SIV Business in which Aurora issues debentures to the SIV Fund. The SIV Business was established during FY2014 and has seen significant growth during YTD2015;
- the sub-ordinated debt on AFML's balance sheet of \$2,021,191 is owed to Aurora (\$1,000,000 plus accrued interest) and HSI Noteholders Trust (\$1,000,000 plus accrued interest);
- the cash held in the group is made up of cash required to comply with the AFSL net asset and cash needs requirements and working capital; and
- all other material assets and liabilities relate to the Funds Management Business being sold to Keybridge.

4.4 Managed Funds

At 28 November 2014 Aurora had approximately \$180.9m in FUM in the following equity funds:

- Absolute Return Fund (ASX:ABW);

- Aurora Fortitude Absolute Return Fund;
- Dividend Income Trust (ASX:AOD);
- Global Income Trust (ASX:AIB); and
- Property Buy-Write (ASX:AUP).

FUM grew substantially in the period from July 2013 to September 2014 and was reflected in the improved financial performance of Aurora. There has been a small reduction in FUM after September 2014 due to the loss of an institutional mandate. From October 2014, 100% of FUM is retail.

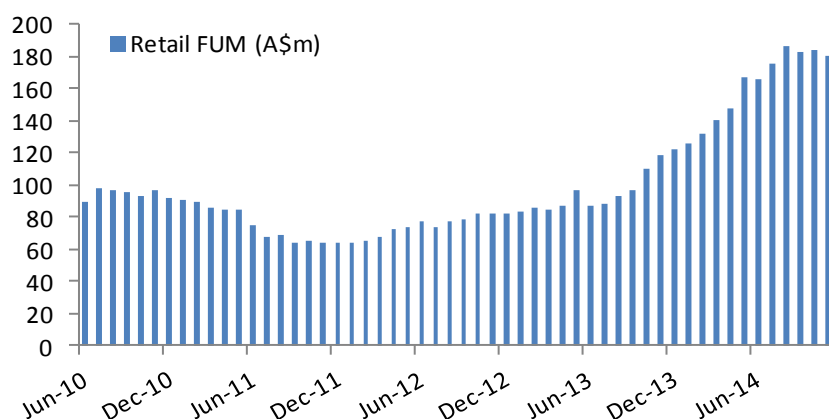
The compound annual growth rate ("CAGR") in FUM is shown in the table below over 2, 3 and 4 years. We have shown the CAGR for FUM and Retail FUM due to Aurora no longer managing any institutional or wholesale mandates. The Retail FUM CAGR shows the growth in the Funds Management Business that is being acquired by Keybridge.

Compound annual growth rate of FUM			
	2 year	3 year	4 year
Retail FUM	48.0%	40.8%	17.0%
FUM	16.9%	18.7%	6.3%

Source: Aurora and ShineWing analysis.

The growth in Retail FUM is graphically presented in the chart below.

Aurora Retail Funds Under Management (Jun'10 to Nov'14)



Source: Aurora and ShineWing analysis.

The performance of the managed funds over various time periods is summarised in the table below.

Fund Performance							
	FUM (\$m)	1 month	3 months	6 months	12 months	3 years (p.a)	Since inception (p.a)
Aurora Absolute Return Fund	30.1	0.40%	0.06%	0.18%	2.41%	4.60%	3.64%
Aurora Fortitude Australian Absolute Return	105.5	0.38%	0.02%	0.08%	2.23%	4.51%	7.52%
Aurora Global Income Trust	7	-0.30%	0.30%	n/a	3.60%	2.50%	4.00%
Aurora Dividend Income Trust	26.3	-3.90%	-5.00%	n/a	-2.30%	10.10%	7.10%
Aurora Property Buy-Write Income Trust	12	0.63%	0.58%	4.17%	9.53%	11.48%	1.65%

Source: fund performance reports for November 2014.

4.5 Capital Structure

On 19 December 2014 there were 11,167,231 Shares on issue held by 279 Shareholders. The holding of Shares is concentrated amongst the top few Shareholders, with the top 10 owning 80.6% of Shares, the top 20 owning 90.3% of the Shares and the top 50 owning 96.3% of the Shares.

The Directors control 43.3% of the Shares. At the extraordinary general meeting to approve the Proposed Transaction, the Directors will control 54.1% of the Shares able to vote on the resolution.

4.6 Directors

The Board of Directors as at the date of this report is set out below.

Directors	Position
Oliver John Morgan	Independent Non-Executive Chairman
Steuart Roe	Executive Director
John Corr	Executive Director
Simon Lindsay	Executive Director

5. Implied Proposed Transaction multiples

5.1 Valuation approach

As discussed in section 3.3 of this report, our assessment of the fair market valuation of the Funds Management Business at 13 January 2015 has been conducted by comparing the EBITDA and PE multiples on a controlling basis implied by the fair value of the Consideration payable by Keybridge with EBITDA and PE multiples of comparable companies and transactions.

We have also compared the ratio of FUM to Consideration of the Proposed Transaction with the ratio of FUM to equity value of the comparable companies and transactions.

Set out in this section are our calculations of the implied multiples and FUM ratio of the Proposed Transaction.

Section 7 contains the analysis of the Proposed Transactions implied multiples and FUM ratio against the comparable companies earnings multiples and FUM ratio.

5.2 Implied multiples of the Funds Management Business

The implied EBITDA and PE multiples of the Funds Management Business are set out in the table below.

Implied multiples	ref	\$	\$
FY2015 budgeted EBITDA	5.2.1	405,028	
FY2015 budgeted NPAT	5.2.1		281,930
Fair value of consideration	5.2.2	4,183,155	4,183,155
Implied EBITDA multiple		10.3x	
Implied PE multiple			14.8x

Source: FY2015 budget, Term Sheet and ShineWing analysis

The implied multiples reflect the 100% interest being acquired by Keybridge in the Funds Management Business.

5.2.1 The adjusted FY2015 Aurora budget

Set out below is the adjusted FY2015 budget for the Funds Management Business.

FY2015 Budget	\$
Management Fees	3,122,374
Fund Expenses	637,400
Gross profit	2,484,974
Operating expenditure	2,079,946
EBITDA	405,028
Depreciation	12,432
EBIT	392,596
Net interest income	10,404
Net profit before tax	403,000
Income tax expense	121,070
Net profit after tax	281,930

Source: FY2015 budget and ShineWing analysis

The FY2015 budget provided to us by Aurora was for an EBITDA of \$398,923. The budget incorporated actual management fees for the 4 month period to 31 October 2014 and excluded the SIV Business not being acquired by Keybridge.

We have made the following adjustments to the budget to reflect the recurring business being sold:

- management fee income of \$121k derived from an institutional mandate during the 3 month period to 30 September 2014 has been deducted from management fees as the mandate ended in September 2014;
- performance fee income of \$361k has been included in management fees and is based on the average performance fees earned during the last 3 financial years;
- an employee bonus expense of \$271k has been included and is based on the average bonuses paid during the last 3 financial years;
- depreciation expense and interest income and expense have been included;
- registry and ASX fees of \$36k have been excluded from expenses as a potential purchaser is unlikely to incur these expenses in the future by acquiring 100% of the unlisted AFML; and
- income tax expense has been calculated as 30% of net profit before tax.

As discussed in section 3.3, the adjusted FY2015 budget is not a proxy for future maintainable earnings as the Funds Management Business has historically made losses and only became profitable during FY2014. For these reasons, we have only used the adjusted FY2015 budget to determine implied transaction multiples to compare to market multiples.

5.2.2 Fair value of Consideration

The Consideration payable by Keybridge for the Funds Management Business is \$4,300,000, with \$3,500,000 payable on completion, subject to completion adjustments, and \$800,000 payable 12 months after completion, subject to Keybridge's right of set off for warranty/indemnity claims. At completion an adjustment to the Consideration will be made to take into account the net assets of AFML. The value of the net assets above nil in the completion accounts will result in Keybridge paying the value of the net assets. At 31 December 2014, the net assets of AFML were \$1,207,654.

The fair value of the Consideration is set out below.

	Nominal \$m	Discounted \$m
Payable at completion	3,500,000	3,500,000
Deferred consideration	800,000	683,155
Fair value of consideration		4,183,155

The discounted value of the Deferred Consideration has been determined by discounting the nominal value of the Deferred Consideration at Aurora's WACC of 13.61% (see Appendix 4) over the period until the Deferred Consideration is expected to be paid, which we have assumed is February 2016.

5.3 Ratio of FUM to Consideration

The ratio of FUM to Consideration has been calculated by dividing the fair value of the Consideration payable by Keybridge by Aurora's most recent FUM, as set out below.

	\$m
FUM @ 31 November 2014	181.0
Fair value of consideration	4.2
Fair value of consideration as % of FUM	2.3%

6. Comparable earnings multiples

6.1 Earnings multiples

In determining the appropriate earnings multiples to use in our assessment of Aurora's implied multiples, we have considered the current trading multiples of companies that may be considered broadly comparable with the Funds Management Business and analysed the multiples implied from recent acquisitions of companies with similar operations. The table below sets out the earnings multiples we have selected as a result of our analysis.

	EBITDA Multiples		PE Multiples	
	Low	High	Low	High
Earnings multiples	7.6x	9.4x	14.1x	15.9x

The data we have analysed to determine the comparable earnings multiples is summarised in sections 6.1.1 and 6.1.2. Section 6.1.3 contains our analysis of the data and the factors we took into Consideration in our assessment of the multiple ranges.

Section 7 contains the analysis of the comparable earnings multiples and FUM ratio against the Proposed Transactions implied multiples and FUM ratio.

6.1.1 Trading multiples

Set out below are the trading multiples of the selected comparable companies. These multiples are based on the observed share prices of minority parcels of shares as at 13 January 2015 and therefore do not reflect a premium for control.

Company name	Country	Latest Report FY	Market Cap AUDm	FUM AUDm	Revenue growth FY15	EBITDA multiple FY14	EBITDA multiple FY15	PE FY14	PE FY15	Market cap as a % of
Australian Funds Management										
BT Investment Management Limited	Australia	30/09/2014	1,724	70,000	-6.1%	8.0x	10.5x	14.2x	15.3x	2.5%
HFA Holdings Limited	Australia	30/06/2014	245	10,373	8.1%	8.5x	7.2x	15.1x	12.4x	2.4%
Hunter Hall International Ltd.	Australia	30/06/2014	50	1,013	-12.0%	5.7x	7.7x	13.4x	16.6x	4.9%
IOOF Holdings Limited	Australia	30/06/2014	2,663	116,400	37.1%	13.3x	10.8x	26.3x	16.5x	2.3%
K2 Asset Management Holdings Ltd	Australia	30/06/2014	126	805	-37.8%	4.6x	7.9x	7.7x	13.0x	15.7%
Magellan Financial Group	Australia	30/06/2014	2,637	31,625	40.0%	22.9x	17.3x	31.8x	22.1x	8.3%
Perpetual Limited	Australia	30/06/2014	2,039	526,400	9.0%	12.8x	9.3x	25.0x	17.6x	0.4%
Platinum Investment Management Limited	Australia	30/06/2014	4,213	25,724	7.3%	15.2x	15.2x	22.2x	21.3x	16.4%
Treasury Group Ltd	Australia	30/06/2014	322	26,410	31.5%	19.5x	15.4x	24.7x	20.8x	1.2%
Australian Ethical Investment Ltd.	Australia	30/06/2014	42	959	n/a	5.3x	n/a	16.3x	n/a	4.4%
Median (Australian Funds Management)					0.1x	10.7x	10.5x	19.3x	16.6x	3.4%
Mean (Australian Funds Management)					0.1x	11.6x	11.3x	19.7x	17.3x	5.8%

Source: Capital IQ (data as at 13 January 2015), ShineWing analysis

6.1.2 Transaction Multiples

Set out below are the transaction multiples implied by recent transactions involving companies with operations that are broadly comparable to Aurora or subject to similar risks.

Announced date	Target	Acquirer	Implied 100% equity value (\$m)	FUM (\$m)	Purchase price as a % of FUM (%)	NPAT (\$m)	PE (x)
06-Oct-14	WHK Group Limited/Crowe Horwath Australasia	Financial Index Wealth Accountants	183	6,300	2.9%	n.a	n.a
29-Aug-14	Matrix Planning Solutions	ClearView Wealth Limited	20	2,860	0.7%	0.8	25
01-Jul-14	Blackswan Equities Limited	Euroz Limited	7	1,400	0.5%	n.a	n.a
16-May-14	SFG Australia	IOOF Holdings Limited	670	30,500	2.2%	36.2	18.5
10-Apr-14	ANZ Trustees Limited	Equity Trustees Limited	150	2,700	5.6%	n.a	n.a
12-Jan-14	Centric Wealth Advisers Limited	Financial Index Wealth Accountants	130	4,100	3.2%	n.a	n.a
22-Feb-13	Lachlan Partners Pty Ltd	SFG Australia Limited	31	606	5.1%	n.a	n.a
13-Jul-12	Plan B Group Holdings Limited	IOOF Holdings Limited	47	2,060	2.3%	3.2	12
12-Jul-12	ClearView Wealth Limited	Crescent Capital Partners Management Pty Ltd.	245	2,900	8.4%	19.2	12.8
14-Jun-11	DKN Financial Group Limited	IOOF Holdings Limited	96	8,020	1.2%	7.3	12.7
26-May-11	Shadforth Financial Group Holdings Ltd	Snowball Group Limited	178	8,600	2.1%	17	10.3
16-Nov-10	Tyndall Investment Management	Nikko Asset Management Co L	129	25,000	0.5%	10	12.6
Median					2.2%		12.7
Mean					2.9%		14.8

Source: Capital IQ, Mergermarket and ShineWing Analysis

6.1.3 Earnings multiple analysis

The following factors were considered when assessing an appropriate range of earnings multiples, on a control basis, to apply in our analysis:

- the Funds Management Business is significantly smaller than the comparable companies and the target companies involved in the comparable transactions, in both equity value and FUM. Growth in FUM brings scale which can increase the profitability and attractiveness of funds management businesses as the cost base doesn't grow in line with growth in FUM;
- the comparable companies generally have a longer history of profitable trading and providing returns to investors compared to the Funds Management Business;
- the Funds Management Business is illiquid as AFML is an unlisted public company. Furthermore, Aurora, while being the listed parent of AFML, is relatively illiquid as its Shares are closely held, it is a micro-cap on the ASX and had no history of providing returns to investors until October 2014 when a dividend of 1 cent per Share was paid;
- the trading multiples in 6.1.1 are based on the market price for minority parcels of shares or portfolio holdings and therefore do not include a premium for control. Historically, control premiums on successful takeovers in Australia have frequently been in the range of 20% to 40%.
- the companies with smaller market capitalisation such as HFA Holdings Limited, Australian Ethical Investments Ltd and Hunter Hall International Limited, have low levels of trading in their shares compared to the other comparable companies. We have considered this when analysing their earnings multiples;
- none of the comparable companies are directly comparable with the Funds Management Business. Of the comparable companies, K2 Asset Management Holding Ltd and Perpetual Limited market their investment strategies at similar investor's asset allocations;

- the PE multiples implied by the transactions in 6.1.2 have a median and average of 12.7x and 14.8x. This is significantly less than the PE multiples for the listed companies in 6.1.1. This could be attributable, in part, to relatively smaller size of the companies being acquired and the different market conditions at the time of the transactions; and
- The most recent transactions for which there is publicly available information that enabled us to calculate the PE multiples, are wealth management companies which derive their income from providing advice, services and products to investors. Therefore, we consider them to be less comparable to the Funds Management Business.

6.2 Ratio of FUM to equity value

We have also analysed the ratio of FUM to equity value of the comparable companies and transactions as shown in the tables in sections 6.1.1 and 6.1.2. The table below sets out the FUM multiple we have selected as a result of our analysis.

	FUM Multiples	
	Low	High
Equity value as a % of FUM	2.0%	2.5%

The following factors were considered when assessing the percentage of FUM to apply in our analysis:

- the FUM multiples of comparable companies on a minority basis range from 0.4% to 16.4%. The mean of the companies is 5.8%. Excluding outliers with FUM multiples greater than 6%, the mean is 2.58%; and
- the implied FUM multiples of comparable transactions range from 0.5% to 8.4% with an average of 2.9%. Excluding outliers with FUM multiples greater than 6%, the mean is 2.5%. Of the transactions, we note that the targets are all larger than the Funds Management Business by equity value and FUM. We also note that most of the targets are in the financial advice and wealth management sectors rather than the funds management. The acquisition of Tyndall Investment Management by Nikko Asset Management is the most comparable transaction, although this occurred under different market conditions and care should be taken in drawing any meaningful conclusions.

7. Evaluation of the Proposed Transaction

7.1 Fairness of the Proposed Transaction

In order to assess whether the Proposed Transaction is fair to Non-associated Shareholders, we compared the EBITDA, PE and FUM multiples implied by the Proposed Transaction with the earnings multiples and FUM multiples from the comparable companies and comparable transactions, on a controlling basis, as below:

	EBITDA Multiples		PE Multiples		FUM Multiples	
	Low	High	Low	High	Low	High
Proposed Transaction	10.3x	10.3x	14.8x	14.8x	2.3%	2.3%
Comparable companies	7.6x	9.4x	14.1x	15.9x	2.0%	2.5%

As the multiples implied by the Proposed Transaction are greater than or within the range of the assessed multiples of the comparable companies and transactions on a controlling basis, in our opinion the Proposed Transaction is fair to Non-associated Shareholders.

7.2 Reasonableness of the Proposed Transaction

As the Proposed Transaction is fair to Non-associated Shareholders it is also reasonable to Non-associated Shareholders. Notwithstanding the conclusion in section 7.1, we have also considered the following additional factors in assessing the reasonableness of the Proposed Transaction.

7.2.1 Advantages of Approving the Proposed Transaction

The table below outlines the advantages to Non-associated Shareholders of the Proposed Transaction.

Advantages	Explanation
Liquidity and certainty	<p>The Consideration to be received by Aurora is 100% cash which, under the terms of the Proposed Transaction, must be returned to Shareholders, except for \$100,000 which will be retained by Aurora as working capital. The return of capital to Shareholders will occur after completion adjustments have been determined, which is expected to occur no later than 30 days after completion. Assuming the FUM remains above the benchmarks such that Aurora receives 100% of the potential Consideration receivable, 37.6 cents per share will be returned to Shareholders.</p> <p>Furthermore, Keybridge will pay Aurora for the net assets of AFML at completion. The net assets of AFML at 31 December 2014 are \$1,207,654. Assuming the net assets remained constant until completion, Shareholders would receive an additional 10.8 cents per Share, taking the total capital returned to 48.4 cents per Share. The actual value of the net assets of AFML at completion will depend on the trading performance of AFML and the mechanism for determining the completion adjustments in the sale contract.</p> <p>Net assets could be higher or lower than the net assets at 31 December 2014.</p> <p>This compares to the share price on 16 January 2015 of \$0.55 per share. However, as discussed in section 3.3, the market in Aurora's Shares is relatively illiquid and the Proposed Transaction will provide Non-associated Shareholders with a liquidity event and some certainty over your investment.</p>

Continued ownership of Shares	Shareholders will continue to own their Shares after receiving the proceeds from the Proposed Transaction.
-------------------------------	--

7.2.2 Disadvantages of Approving the Proposed Transaction

The table below outlines the disadvantages to Non-associated Shareholders of approving the Proposed Transaction.

Disadvantages	Explanation
No exposure to the management of equity funds	Non-associated Shareholders will not participate in any future value created by Aurora as a result of on-going operations over and above that reflected in the Consideration. However, in our opinion, the value of the future earnings potential of the Funds Management Business is difficult to forecast given the nature of the business and its historic performance. Furthermore, as stated in section 7.1, we believe the Proposed Transaction is fair based upon the FY2015 budgeted earnings.
Aurora will be a significantly smaller company and may be more illiquid than it presently is	<p>At the completion of the Proposed Transaction and after the return of capital, Non-Associated Shareholders will remain Shareholders in Aurora which will continue to operate the SIV Business and be listed on the ASX.</p> <p>Non-associated Shareholders will be exposed to the risks and benefits of the smaller SIV Business.</p> <p>Due to the smaller scale of the business post the Proposed Transaction, Aurora's stock may become even more illiquid. As part of the terms of the Proposed Transaction, the Directors and Keybridge have agreed to escrow their Shares for a period of 5 years or until such time as the last significant investor in the SIV Fund withdraws from the fund. The Directors hold 43.30% of the Shares in Aurora and Keybridge holds 19.85%. The escrow arrangements ensure that the Aurora Directors and Keybridge will control Aurora for up to 5 years.</p>
The Escrow Arrangements will limit Aurora's ability to explore takeover offers and new business opportunities	<p>The Escrow Arrangement will result in 63.15% of the Shares being held in escrow for a period of up to 5 years. During the escrow period, the parties cannot dispose of the Shares, encumber them, agree to permit or act in accordance with any third party's voting directions or otherwise permit transfer of the effective control of those Shares.</p> <p>The purpose of the Escrow Arrangement is to protect the interests of the investors in the SIV Fund as the Directors of Aurora consider it unlikely that a potential acquirer of Aurora would want to keep the SIV Business.</p> <p>The effect on Non-associated Shareholders is that Aurora will not be able to explore any takeover offers, back door listing proposals or acquisitions requiring a change in control unless the parties to the Escrow Arrangement all agree to cancel the restrictions that apply to the Shares.</p> <p>Unless a proposal or offer included a commitment to fulfil the obligations of Aurora to investors in the SIV Fund, it is highly unlikely that the parties to the Escrow Arrangement would cancel the restrictions on their Shares.</p> <p>However, Non-associated Shareholders should consider this disadvantage in the context of the return of capital that would result from the completion of the Proposed Transaction and the uncertainty around the nature, timing and</p>

Disadvantages	Explanation
	quantum of any benefit that might arise from a transaction in the absence of the Escrow Arrangement.
Costs associated with the Proposed Transaction	The costs associated with the Proposed Transaction are estimated to be \$55,000. These costs will be incurred irrespective of whether the Proposed Transaction is approved and implemented. In addition, if the Proposed Transaction does not complete, Aurora may have to pay a break fee to Keybridge of \$43,000 plus GST in certain circumstances.

7.2.3 Other factors

The table below outlines other key factors we have considered in assessing the reasonableness of the Proposed Transaction to Non-associated Shareholders. These factors could be viewed by Non-associated Shareholders as neither advantages nor disadvantages depending on how Non-associated Shareholders view the Proposed Transaction and its impact on Aurora.

Other factors	Explanation
The Directors hold 54.1% of the Shares able to be voted on the Proposed Transaction	As the Directors are unanimously recommending Non-associated Shareholders vote in favour of the Proposed Transaction and the Directors individual and associate share holdings equate to 54.1% of the Shares that will be entitled to be voted on the resolutions to approve the Proposed Transaction, the resolution will be passed at the meeting of Shareholders, subject to a superior offer being received by Aurora.
The value of the Consideration is not fixed	<p>Under the terms of the Proposed Transaction, the Consideration payable by Keybridge can be reduced if FUM falls below:</p> <ul style="list-style-type: none"> \$170m at completion. For each \$1 that FUM falls below \$170m, the Consideration payable at completion is reduced by \$0.025. For example, for every \$1m that FUM falls below \$170m, the Consideration payable at completion is reduced by \$25,000; and \$150m 12 months from completion. For each \$1 that FUM falls below \$150m, the Consideration payable 12 months from completion is reduced by \$0.0275. For example, for every \$1m that FUM falls below \$150m, the Consideration payable 12 months from completion is reduced by \$27,500. <p>At completion, the Consideration payable by Keybridge will be increased by the net assets of AFML at the date of completion. At 31 December 2014, the unaudited net assets of AFML were \$1,207,653.</p>
Aurora will continue to operate the SIV Business	For a period of up to 5 years after completion of the Proposed Transaction, Keybridge will co-operate with Aurora to ensure the SIV Business will continue to operate as it did prior to completion. AFML will provide the responsible entity services at cost recovery plus 50% of the profits derived by Aurora from the SIV Business, or \$10,000 per annum if Aurora is not profitable before taking the AFML fee into Consideration.
Alternatives available to Non-associated Shareholders	<p>It is possible that an alternative proposal involving Aurora may emerge. We note that:</p> <ul style="list-style-type: none"> the Directors have advised us that no alternative proposals have been received by Aurora at the date of this report; the terms of the Proposed Transaction prevent Aurora from actively seeking alternative acquirers or from negotiating or otherwise co-

Other factors	Explanation
	<p>operating with them in the formulation of a superior proposal. A break fee of \$43,000 plus GST may be payable if Aurora entered into an alternative proposal; and</p> <ul style="list-style-type: none"> • Keybridge hold 19.85% of the Shares in Aurora which might deter another party from making a superior proposal. <p>These factors make it unlikely that another entity would consider making a superior offer.</p> <p>As noted above, the Directors and their associates control 54.1% of the Shares able to be voted on the Proposed Transaction. Therefore, the resolution to approve the Proposed Transaction will be passed, subject to Aurora receiving a superior offer. This means that Non-associated Shareholders who are not Directors or associates of Directors do not have the capacity to affect the outcome of the extraordinary general meeting or any other realistic alternatives.</p>
Tax	<p>There may be certain tax implications for individual Shareholders in connection with the Proposed Transaction and return of capital. The exact nature and impact is uncertain and will depend on the profile of each Shareholder. In weighing up the merits of the Proposed Transaction, Non-associated Shareholders need to keep in mind their specific tax consequences.</p> <p>There may also be tax implications for Aurora on disposing of it's 100% owned subsidiary, AFML.</p>

7.3 Conclusion

In our opinion, based on our analysis and consideration of the matters outlined above, the Proposed Transaction is fair and reasonable for Non-associated Shareholders.

Appendix 1: Financial Services Guide – 13 February 2015

1. ShineWing Australia Corporate Finance Pty Ltd (“ShineWing”) is a corporate authorised representative of **ShineWing Consulting Pty Ltd**, the holder of Australian Financial Services Licence (“AFSL”) No. 236556.

2. Financial Services Guide

The Corporations Act 2001 (the “Act”) requires ShineWing to provide this Financial Service Guide (“FSG”) in connection with its provision of an Independent Expert’s Report (“Report”) which is included in the Notice of General Meeting and Explanatory Memorandum provided by Aurora Funds Limited (“Aurora”). The FSG is designed to assist retail clients in their use of the general financial advice and to ensure that we comply with our obligations as a financial service licensee.

3. Financial services we are licensed to provide

The AFSL that we hold authorises us to provide financial product advice in relation to a broad range of services, including providing financial product advice in relation to various financial products such as interests in managed investments, securities, superannuation products, insurance products, life products, managed investment schemes, government debentures, life products, stocks or bonds, and deposit products.

4. General financial product advice

The Report contains only general financial product advice as it was prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general financial advice having regard to your own objectives, financial situation and needs before you act on this advice. Where the general financial advice relates to the acquisition or

possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Remuneration

ShineWing client is Aurora to which it provides the Report. ShineWing charges fees for providing reports. These fees are agreed with, and paid by, Aurora who engages us to provide the Report.

Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the Trusts who engages us.

We do not pay commissions or provide any other benefits to any parties or persons for referring customers to us in connection with the reports that we are licensed to provide.

6. Independence

ShineWing is required to be independent of Aurora.

Neither ShineWing Australia Corporate Finance Pty Ltd, nor any of its directors, authorised representatives, employees or related entities, have any financial interest in the outcome of the Proposed Transaction, other than a fee in connection with the preparation of our Report for which professional fees of approximately \$40,000 (excluding GST) will be received.

No pecuniary or other benefit, direct or indirect, has been received by ShineWing, ShineWing Australia Pty Ltd, their Directors or employees, or related bodies corporate for or in connection with the preparation of this Report.

7. Complaints Resolution

The law requires ShineWing to have arrangements in place to compensate certain persons for the loss or damage they suffer from certain breaches of the Act by its representatives. ShineWing has internal compensation arrangements, as well as professional indemnity insurance that satisfy these requirements.

Internal complaints resolution: If you have concerns with the advice provided, please contact your adviser. If your concerns are not addressed in a timely manner, please send your complaint in writing to The General Manager, ShineWing Australia Pty Ltd, Level 10, 530 Collins St, Melbourne, VIC 3000.

External dispute resolution: If your complaint remains unresolved to your satisfaction, you have the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent company established to provide advice in relation to the financial services industry.

Financial Ombudsman Service
GPO Box 3, Melbourne VIC 3001
Toll free: 1300 780 808
www.fos.org.au

The Australian Securities and Investment Commission also has a freecall Infoline on 1300 300 630 which you may want to use to make a complaint and obtain information about your rights.

ShineWing Consulting Pty Ltd (ABN 34 006 341 386)
Australian Financial Service Licence No. 236556
Level 10, 530 Collins Street
Melbourne, VIC 3000
Australia
Telephone: +61 3 8635 1800
Facsimile: +61 3 8102 3400
www.shinewing.com.au

Appendix 2: Disclosures

Qualifications

ShineWing Australia Corporate Finance Pty Ltd ("ShineWing") is a wholly owned subsidiary of ShineWing Australia Pty Ltd and a corporate authorised representative of ShineWing Australia Consulting Pty Ltd, which holds the appropriate Australian Financial Services Licence under which this report has been issued. The individual responsible for preparing this report on behalf of ShineWing is Grant Sincok.

Grant Sincok is a Director of ShineWing, an authorised representative of ShineWing Australia Consulting Pty Ltd. Grant is a member of the Institute of Chartered Accountants in Australia and CPA. He has a Bachelor of Commerce and over 18 years experience preparing Independent Expert's Reports and company and business valuations as well as conducting financial due diligence assignments, preparing Investigating Accountant's Reports and conducting reviews of forecast financial information. Grant was responsible for the preparation of this report.

Independence

Prior to accepting this engagement, we considered our independence with reference to ASIC Regulatory Guide 112 "Independence of Experts". In our opinion, we are independent of Aurora and the outcome of the implementation of the Proposed Transaction.

Neither ShineWing, its related entities, any director thereof nor any individual involved in the preparation of this report, has any financial interest in the outcome of the Proposed Transaction which could be considered to affect our ability to render an unbiased opinion. ShineWing will receive a fee of approximately \$40,000 (exclusive of GST) for the preparation of this report. This fee is based upon time spent at our normal hourly rates and is not contingent upon the success or otherwise of the Proposed Transaction.

Neither ShineWing, its related entities, any director thereof nor any individual involved in the preparation of the report received any commissions or other benefits in connection with the preparation of this report, except for the fees referred to above.

Other than this report, neither ShineWing nor its related entities have been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum or any other document prepared in respect of the Proposed Transaction. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transaction.

Draft copies of this report were provided to the Directors, management and advisers of Aurora for them to review the factual accuracy of the report. The opinions in the report were not subject to review by those parties and remain the responsibility of ShineWing. Changes made to this report as a result of the reviews for factual accuracy have not changed the conclusions reached by us.

Disclaimer

It is not intended that this report should be used or relied upon for any purpose other than that stated in section 2.1 of this report. ShineWing expressly disclaims any liability to any Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Statements and opinions contained in this report are given in good faith. Our report is based on financial and other information provided by Aurora and public and non-public information. A listing of this information is included in Appendix 5 of this report. In forming our opinions we have reviewed and relied on this information and believe that the information provided is reliable, accurate, complete and not misleading. Our opinion is based on market, economic and other factors existing at the date of this report. Such conditions can change significantly in short periods of time. We in no way guarantee, explicitly or otherwise, whether future profits will be achieved. Budgets, forecasts and projections are inherently uncertain. They include assumptions regarding future events which are beyond the control of Arena. Actual results may vary significantly from forecasts and budgets which will impact the valuation of the Funds Management Business.

The advice provided in this report does not constitute legal or taxation advice to Shareholders, or any other party.

Indemnity

Aurora have agreed to indemnify and hold harmless ShineWing, its directors, officers, employees, servants, agents or affiliated organisations ("Associates") or any other person who is sought to be made liable against any and all losses, claims, damages and liabilities arising out of or related to the performance of these services and which arise from reliance on information received which is provided by the providers or material information any of the providers had in their possession and was not provided to us.

Consent

ShineWing consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meetings and Explanatory Memorandum to be issued to Shareholders. Neither the whole nor any part of this report nor any reference thereto may be reproduced or included in any other document without the prior written consent of ShineWing as to the form and context in which it appears.

Appendix 3: Overview of Business Valuation Methodologies

Discounted Cash Flow

DCF approaches are premised directly on the principle that the value of a company is dependent upon the future economic benefits it can generate.

This method indicates the value of a business enterprise based on the present value of the free cash flows that the business is expected to generate in the future. Such cash flows are discounted at a discount rate (the cost of capital) that reflects the time value of money and the risks associated with the forecast cash flows.

This approach is typical for companies with:

- high levels of growth;
- reasonably accurate forecast cash flows; and
- earnings or cash flows that are expected to fluctuate from year to year and irregular capital expenditure requirements.

Discounted cash flow valuations involve calculating the value of a business on the basis of the net cash flow that will be generated from the business over its life. The cash flows are discounted at the Weighted Average Cost of Capital ("WACC") to reflect the risk involved with achieving the forecast cash flows.

As the discounted cash flow approach relies on the availability of long-term earnings and cash flow forecasts, it is particularly suited to situations where cash flows are not stable or where significant cash outflows will be incurred prior to cash inflows being earned.

Market Based Approaches

Market based approaches estimate the value of a company through reference to the market value of comparable companies and trading in the company's own shares. There are a number of variants including the following four approaches:

Capitalisation of Future Maintainable Earnings ("CFME")

Under the earnings based valuation method, the value of the business is determined by capitalising the estimated future maintainable earnings of the business at an appropriate capitalisation rate or multiple of earnings. The multiple is a coefficient, representing the risk that the business may not achieve projected earnings.

- The capitalisation of future maintainable earnings is the most appropriate method used to value an existing operating enterprise. It is usually applied when the business has an operating history and consistent earnings trend that will provide a good indication as to the level of future profitability of the business. When using this methodology, we attempt to assess the expected "future" earnings that the business will generate. The earnings must be normalised and must not include one-off gains or losses.
- The earnings multiple used to value a business reflects the risk of investing in the business and the investor's required return on the investment. Many businesses or companies are valued or compared on reported price earnings ratios, which determines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.

- The capitalisation of future maintainable earnings is the most appropriate method used to value an existing operating enterprise. It is usually applied when the business has an operating history and consistent earnings trend that will provide a good indication as to the level of future profitability of the business. When using this methodology, we attempt to assess the expected “future” earnings that the business will generate. The earnings must be normalised and must not include one-off gains or losses.
- The earnings multiple used to value a business reflects the risk of investing in the business and the investor’s required return on the investment. Many businesses or companies are valued or compared on reported price earnings ratios, which determines the value based upon a multiple of net profit after tax. EBITDA (earnings before interest, tax, depreciation and amortisation), EBITA (earnings before interest, tax and amortisation) or EBIT (earnings before interest and tax) or some other earnings substitute can also be used in determining a valuation for a company.
- EBITDA, EBITA and EBIT multiples are common to value whole businesses and remove the effect of, or inconsistencies of, gearing, which is often a business decision of the owner. EBITDA and EBITA multiples are preferable where amortisation of goodwill and depreciation can significantly distort earnings results of similar businesses.

The determination of the multiple is by reference to listed comparable peer companies and guideline sale transactions with peer companies. A liquidity discount is applied to the multiples derived from listed peer data when valuing a privately held company.

Dividend based valuations

Dividend based valuations, such as the dividend discount model (“DDM”), involve the capitalising the future dividend payments of the company. The capitalisation rate reflects the investor’s required rate of return. This method is appropriate for companies with:

- Stable growth rates and profits;
- High payout ratios that are an approximation of free cash flows to equity; and
- Stable leverage.

Under the DDM, shares are valued as the discounted value of future dividend payments. Its underlying theory is that the cash flows derived from ownership of shares is represented by dividend payments, and therefore the value of the share is the present value of these cash flows.

ASX market price valuation

ASX market price valuation is an indication of value if:

- The shares are actively traded; and
- The market is assumed to be efficient.

This valuation approach can be used at the prevailing spot price at the valuation date or VWAP across a given period up to the valuation date, such as 30, 60 or 90 days.

Industry multiples

Industry benchmarks are sometimes used in the place of detailed financial results and the market place in which the business operates when assessing a specific industry.

There are a number of pitfalls that can arise through the use of such non-scientific rules of thumb without the backup information and analysis of financial information and other key elements of the business including:

- Key personnel and contractual obligations.
- Failure to consider future growth or decline of the business when applying industry multiples.
- Industry multiples may result in acquiring a business at a price that results in a low rate of return when considering the relative risks.
- By not taking into account business cycles or broader economic factors that can result in prices and values being inflated or deflated depending on the current state of the economy.
- Disparity between profitability levels of differing businesses within the same industry when relying on simple measures of turnover.

Despite the above, it is recognised and acknowledged that in some circumstances, the adoption of an industry benchmark can be an accurate means of determining whether a price or value nominated is within an acceptable range of the “true worth” of the business as it is the accepted basis for the majority of sale and purchase transactions in that particular industry.

Asset Based Approach

This method analyses the value of the assets used in the business. This is done by separating the business into assets which can be readily sold and determining a value for each asset based on the net proceeds that could be obtained in the market place if the asset were sold. The value of the assets can be determined in the context of:

<i>Orderly realisation:</i>	This method estimates the value by determining the net assets of the underlying business including any allowances or costs involved in carrying out the sale. This method is not a valuation under a forced liquidation where the value could be materially different from their market value
<i>Liquidation:</i>	This method is based on the premise of a forced sale in terms of liquidation. In this case, the price the assets could be sold at (and hence value) is typically materially lower than their market value
<i>Going concern:</i>	This method estimates the value of the net assets on a replacement cost basis, but does not consider realisation costs.

This approach is typically used for asset rich companies, dormant companies or loss making companies. The asset based approach is usually inappropriate for businesses in which intangible assets are significant, the value of which is usually best determined by reference to future income streams.

Appendix 4: Weighted Average Cost of Capital

The discount rate applied to present value projected cash flows (or notional cash flows) was derived by making appropriate adjustments to the weighted average cost of capital ("WACC") and expanded Capital Asset Pricing Model ("CAPM"). The WACC calculates the rate of return that provides both debt holders and equity holders with a rate of return adequate to compensate them for providing debt and equity capital with their associated risk profiles.

The formula conventionally used to calculate the WACC is as follows:

$$WACC = \frac{E}{V} Re + \frac{D}{V} Rd(1 - t)$$

Where:

E	=	Value of equity
D	=	Value of debt
V	=	E+D
Re	=	Cost of equity
Rd	=	Cost of debt
t	=	Corporate tax rate (i.e. 30%)

Key inputs used in estimating WACC are as follows:

Cost of Equity (Re)

The CAPM is a widely used method of estimating required rates of return on equity. The model assumes that the cost of equity is equal to a risk-free rate of return, plus a premium to take into account the market risk anticipated for a particular company or project.

Systematic risk is the risk that is common to an entire class of assets. The traditional CAPM includes only systematic risk as a factor in determining the required rate of return.

Unsystematic risk is the risk unique to the circumstances of a specific company, as opposed to the overall market. In principle, unsystematic risk can be mitigated by holding a diversified portfolio of shares.

The traditional CAPM assumes that rational investors will mitigate their exposure to unsystematic risk through maintaining a diversified portfolio; however, in the private company environment, unsystematic risks should generally be estimated as part of the overall required rate of return.

The CAPM formula is therefore expanded to include an adjustment factor, as follows:

$$Re = Rf + \beta (Rm - Rf) + Ra$$

Where:	Rf	=	Risk-free rate of interest
	(Rm-Rf)	=	Average premium returned by a market basket of equities, over the risk-free rate (market premium)
	β	=	Company's assumed beta co-efficient
	Ra	=	Adjustment risk factor

Risk-Free Rate of Interest (Rf)

The assumed risk-free rate of interest in Australia is 2.61%. This is based on the yield on a 10-year Australian Government Bond as at 13 January 2015.

Market Premium ($R_m - R_f$)

A market risk premium of 6% has been estimated based on studies into the Australian equity market. The risk premium represents the long term average return on the market basket of equities over the risk-free rate. These studies include:

- (i) “Rates of Return to Shares, Bond Yields and Inflation Rates: A Historical Perspective” released by Mr R Officer in 1989, which reviewed market premiums in the Australian equity market over the period 1882 to 1987;
- (ii) The Pappas, Carter, Evans and Koop (1991) estimate of 5.5%;
- (iii) The McKinsey & Co. (1991) estimate of 6%; and
- (iv) The J.B. Were & Son Study (1995) estimate of 4.7%.

Beta Co-efficient (β)

The beta co-efficient represents the relative degree of risk for the company when compared to the market as a whole. A beta of 1.0 is the market average.

In considering an appropriate beta to apply, we have considered the betas of the comparable listed companies in section 6.1.1.

Individual company betas are unlevered using the company’s debt-to-equity ratio. The average of these unlevered betas is relevered using the average debt-to-equity ratio, after taking corporate tax into account. This results in an overall relevered beta of 1.00 to be used in the WACC calculation.

Adjustment Factor (R_a)

The estimation of the adjustment risk premium is subjective, based on considerations including the company’s exposure to key man risk, fund investors ability to change the responsible entity or reduce management fees and the stage of Aurora’s development.

We have therefore adopted an unsystematic risk rate of 5% p.a.

Cost of Equity Calculation

On the basis of the above assumptions, we have calculated the cost of equity range using the expanded CAPM as follows:

$$\begin{aligned}
 R_e &= R_f + \beta (R_m - R_f) + R_a \\
 &= 2.61\% + 1.0 \times 6.00\% + 5.00\% \\
 &= 13.61\%
 \end{aligned}$$

Key considerations in evaluating the overall required return on equity include:

- listed companies typically have a lower required return than listed companies to recognise the greater marketability; and
- smaller companies typically have a higher required return than larger companies.

Cost of Debt

We have adopted a pre-tax cost of debt of 8.50% p.a.. The rate is based on the base rate and margin of the subordinated loan facility in AFML. After taking into account corporate tax rate, the post-tax cost of debt is 5.95% p.a..

Capital Structure

The WACC is a weighted average of the cost of debt and cost of equity. This weighting is based on a theoretical optimal capital structure, rather than the actual level of gearing, which can be volatile over a company's life.

With regards to the capital structure of comparable companies and Aurora's capital structure, we have adopted an optimal capital structure of 0% debt and 100% equity for the calculation of WACC.

Weighted Average Cost of Capital Calculation

Cost of debt	High %
Pre-tax cost of debt	8.50%
Corporate tax rate	30.00%
Post-tax cost of debt	5.95%
Cost of Equity	
Risk free rate	2.61%
Beta	1.00
Market risk premium	6.00%
Unsystematic risk	5.00%
Cost of Equity	13.61%
Target capital structure	
Proportion of debt	0.00%
Proportion of equity	100.00%
WACC	13.61%

Appendix 5: Sources of Information

In preparing this report we had access to and relied upon the following major sources of information:

- Term Sheet dated 19 December 2014 between Aurora and Keybridge;
- Draft contract of sale;
- Aurora's FY2015 budget;
- Aurora's share register at 19 December 2014;
- Aurora's Constitution;
- Aurora's annual financial statements for the years ended 30 June 2011, 2012, 2013 and 2014;
- Aurora's management accounts as at 31 December 2014;
- Aurora's draft Notice of Meeting and Explanatory Memorandum;
- Australian Bureau of Statistics;
- AFML Constitution;
- AFML's annual financial statements for the years ended 30 June 2012, 2013 and 2014;
- AFML's management accounts as at 31 December 2014;
- Various documents relating to the managed funds including, PDS, monthly performance reports, management agreements and financial reports;
- Various announcements to the ASX, including in relation to the Proposed Transaction;
- External information sources including CapitalIQ and Mergermarket;
- Public information and ASX announcements regarding comparable companies; and
- Other publicly available information including from websites and newspapers.

In addition, we held discussions with members of senior management of Aurora.

We did not perform an audit, review or any other verification of the information presented to us. Accordingly we express no opinion on the reliability of the information supplied to us.

Appendix 6: Glossary

Term	Definition
AFML	Aurora Funds Management Limited
AFSL	Australian Financial Services Licence
AIFRS	Australian International Financial Reporting Standards
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
Aurora	Aurora Funds Limited
CAGR	Compound annual growth rate
CAPM	Capital asset pricing model
CFME	Capitalisation of Future Maintainable Earnings
Consideration	\$4,300,000 in cash
CGT	Capital Gains Tax
DCF	Discounted Cash Flow
Deferred Consideration	\$800,000 of the Consideration in which payment is deferred for 12 months from completion.
EBIT	Earnings Before Interest and Tax
EBITA	Earnings Before Interest, Tax and Amortisation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPU	Earnings Per Unit
Explanatory Memorandum	Accompanying booklet being provided to Shareholders
FSG	Financial Services Guide
Funds Management Business	<ul style="list-style-type: none"> • The shares in AFML and it's AFSL; • the management agreements with the managed funds; • the employees of Aurora; • all other agreements and licences material to the business not held by AFML but with other Aurora related entities; and • all assets material to the business not held or owned by AFML but with other Aurora related entities;
FUM	Funds Under Management
FY	Financial Year
GST	Goods and Services Tax
Independent Expert's Report	This report
Keybridge	Keybridge Capital Limited
ShineWing , we or us	ShineWing Australia Corporate Finance Pty Ltd

Term	Definition
Non-associated Shareholders	Aurora Shareholders other than Keybridge Capital Limited and it's associates
NPAT	Net profit after tax
NTA	Net Tangible Assets
PE	Price Earnings
Proposed Transaction	<ul style="list-style-type: none"> • Keybridge acquiring all of the shares in responsible entity, AFML, from Aurora; and • to the extent employees, agreements and licences (including management agreements and AFSs) and assets material to the Business are not employed, held or owned by AFML, Keybridge employing those employees, taking an assignment of those agreements and licences (to the extent assignable) and purchasing those assets;
Retail FUM	FUM other than that attributable to institutional or wholesale investor mandates
RG111	ASIC Regulatory Guide 111 "Content of expert reports"
Shares	Ordinary shares of Aurora
Shareholders	Holders of Shares
SIV Business	Issuance of debentures by Aurora to the SIV Fund and management of that business
Term Sheet	The binding term sheet dated 19 December 2014 entered into by Aurora and Keybridge
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital
YTD	Year to date