

Appendix 4E

Preliminary Final Report To the Australian Securities Exchange

Name of Entity	Aurora Absolute Return Fund
ARSN:	110 303 430
Financial Year Ended:	30 June 2016
Previous Corresponding Reporting Period:	30 June 2015

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	2016 \$'000	Percentage increase /(decrease) over corresponding period
Revenues from continuing operations	(1,179)	-262.77%
Loss for the year	(1,182)	-256.02%
Net loss for the year attributable to members	(1,182)	-256.02%

Distribution information	Cash per unit	Franked amount per unit
2016 final distribution	\$0.0095	\$0.0014
2016 interim distribution	\$0.0338	\$0.0169

Final distribution dates

Ex-entitlement date	29 June 2016
Record date	30 June 2016
Last election date for the DRP	1 July 2016
Payment date	21 July 2016

Dividend Reinvestment Plan

The Dividend Reinvestment Plan (DRP) is in operation and the final distribution of \$0.0095 per unit qualifies. The number of units received from the distribution is based on dividing the distribution by the DRP price as at 30 June 2016.

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

Net Tangible Asset Backing

	30 June 2016	30 June 2015
Net tangible assets per security	\$0.856	\$0.967

This report is based on the Annual Report which is in the process of being audited. All documents comprise the information required by Listing Rule 4.3A

Appendix 4E Contents and checklist of requirements

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

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Investment Income			
Interest income		3	11
Dividend and distribution income		672	1,352
Net gains/(Losses) on financial instruments held at fair value through profit or loss		(1,854)	(1,688)
Total net investment income/(loss)		(1,179)	(325)
Expenses			
Other operating expenses		3	7
Total operating expenses		3	7
Operating profit/(loss) for the year		(1,182)	(332)
Finance costs attributable to unitholders			
Distributions to unitholders		(763)	(1,382)
Decrease in net assets attributable to unitholders		1,945	1,714
Profit/(loss) for the year		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		-	-

Statement of financial position
as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Assets			
Cash and cash equivalents		84	923
Distribution Receivable		157	205
Financial assets held at fair value through profit or loss		14,186	20,226
Total assets		14,427	21,354
Liabilities			
Distributions payable		171	219
Other payables		-	399
Total liabilities (excluding net assets attributable to unitholders)		171	618
Net assets attributable to unitholders - liability		14,256	20,736
Liabilities attributable to unitholders		(14,256)	(20,736)
Net assets		-	-

Statement of changes in equity
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Balance at the beginning of the financial year			
Profit/(loss) for the year		-	-
Other comprehensive income		-	-
Total comprehensive income		-	-
Transactions with unitholders in their capacity as unitholders		-	-
Total equity at the end of the financial year		-	-

Statement of cash flows
for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		4,747	9,200
Purchase of financial instruments held at fair value through profit or loss		(561)	(7,957)
Dividends and distributions received		720	1,505
Interest received		3	11
GST recovered/(paid)		-	-
Payment of other expenses		(3)	(7)
Net cash inflow/(outflow) from operating activities		4,906	2,752
Cash flows from financing activities			
Payments for redemptions by unitholders (excluding treasury units)		(3,664)	(8,339)
Proceeds from applications by unitholders (excluding treasury units)		-	401
Payments for share buy backs		(949)	-
Proceeds from applications by unitholders (treasury units)		-	(525)
Payments for redemptions by unitholders (treasury units)		-	6,365
Distributions paid		(1,132)	(1,009)
Net cash (inflow)/outflow from financing activities		(5,745)	(3,107)
Net (decrease)/increase in cash and cash equivalents		(839)	(355)
Cash and cash equivalents at the beginning of the year		923	1,279
Cash and cash equivalents at the end of the year		84	924
Non-cash financing activities		78	139

1. Principal activities

The Aurora Absolute Return Fund (the “Trust”) invests in the unlisted Aurora Fortitude Absolute Return Fund (ARSN 145 894 800) (the “Master Fund”), in accordance with the provision of the Fund Constitution and the current Product Disclosure Statement.

The Trust did not have any employees during the year.

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

The Trust is currently listed on the Australian Security Exchange (ASX).

2. Review and results of operations

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

3. Financial results for the year

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

	2016 \$'000	2015 \$'000
Operating loss before finance costs attributable to unitholders	(1,182)	(3320)
Distributions paid and payable	763	1,382
Distribution - quarter ended 30 September	1.45	1.54
Distribution - quarter ended 31 December	0.98	1.53
Distribution - quarter ended 31 March	0.95	0.99
Distribution - quarter ended 30 June	0.95	0.98

4. Financial position

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

	30 Jun 2016 \$	30 Jun 2015 \$
At 30 June	0.932	0.967
High during period	0.980	1.060
Low during period	0.820	0.960

5. Information on underlying performance

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

6. Strategy and future outlook

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

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

7. Significant changes in state of affairs

On 30 June 2016, Seventh Orion Pty Ltd as trustee for the Aurora Investments Unit Trust (Seventh Orion) acquired 100% of the ordinary shares of Aurora Funds Management Limited, being the Responsible Entity for the Trust.

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

8. Matters subsequent to the end of the financial year

On 25 July 2016, the Responsible Entity announced the re-introduction of its on-market buyback program, effective 31 August 2016.

On 3 August 2016, the Responsible Entity announced changes to its Compliance Committee to reflect the appointment of Kim Rowe and resignation of Mark Hancock on 29 July 2016.

On 19 August 2016, the Responsible Entity made an ASX Announcement advising that it expected to recognize a non-cash impairment charge against the carrying value of the Antares Energy Limited Convertible Notes held by the Trust as at 30 June 2016.

On 31 August 2016, the Responsible Entity announced an update to the valuation of Antares Convertible Notes, the decision not to proceed with two investment pools (as discussed above) and the resumption of off-market redemptions (refer to Attachment 1).

Subsequent to year end, the Responsible Entity has received redemption requests totaling 473,892 units representing approximately 2.8% of the Trust.

Other than the changes mentioned above, no matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect:

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

9. Summary of significant accounting policies

These financial statements cover Aurora Absolute Return Fund (the "Fund") as an individual entity. The Fund commenced operations on 4 July 2006 and was admitted to the Australian Securities Exchange ("ASX") on 10 July 2006, and is domiciled in Australia.

The Responsible Entity of the Trust is Aurora Funds Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 4, 1 Alfred Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. Aurora Absolute Return Fund is a for-profit unit trust for the purpose of preparing the financial statements.

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

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

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

10. Use of estimates and judgments

Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty are detailed in Attachment 1.

11. Net assets attributable to unitholders

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

	2016 No. '000	2015 No. '000	2016 \$ '000	2015 \$ '000
Opening balance - excluding treasury units	21,443	23,740		
Applications	1	12,068		
Redemptions	(4,742)	(14,503)		
Units issued upon reinvestment of distributions	80	138		
Closing balance - excluding treasury units	16,782	21,443		
Opening balance - treasury units	-	1,136		
Applications	-	515		
Redemptions	-	(6,175)		
Creation of treasury units	-	4,800		
Cancellation of treasury units	-	(276)		
Closing balance - treasury units	-	-		
Opening balance - including treasury units	21,443	24,876	20,736	24,410
Applications	1	12,583	-	6,765
Redemptions	(3,753)	(20,678)	(3,664)	(8,864)
Buy backs	(989)	-	(949)	-
Units issued upon reinvestment of distributions	80	138	78	139
Creation of treasury units	-	4,800	-	-
Cancellation of treasury units	-	(276)	-	-
Decrease in net assets attributable to unitholders	-	-	(1,945)	(1,714)
Closing balance - including treasury units	16,782	21,443	14,256	20,736

12. Distributions to unitholders

The distributions for the year were as follows:

	2016		2015	
	\$'000	CPU	\$'000	CPU
Distributions paid	592	3.38	1,163	4.06
Distributions payable (30 June 2016 quarter)	159	0.95	210	0.98
Other distributions payable from previous quarters	12	-	9	-
Total distributions	763		1,382	

Details of entities over which control has been gained or lost

n/a

Details of associates and joint venture entities

n/a

Aurora Absolute Return Fund

Resumption of Off-market Redemptions & Antares Convertible Note Update

Aurora Funds Management Limited ("Aurora") is pleased to announce some important changes to the Aurora Fortitude Absolute Return Fund ("AFARF"), which directly impact the Aurora Absolute Return Fund ("the Fund"). Attached is a copy of the relevant announcement by AFARF.

In light of the announcement by AFARF, including the write down of the Antares AZZG Notes to nil at 30 June 2016, the Fund is now unfrozen and as such is able to resume the processing of off-market redemptions, effective 31 August 2016.

Update on Redemption Requests

In light of the decision by Aurora not to proceed with the creation of two (2) notional pools, all investors that had lodged Redemption Requests after 25 July 2016 but before 31 August 2016, will now have the option of withdrawing their Redemption Request. This option remains open for seven (7) days. If no withdrawal request is received by 7 September 2016, Aurora will process those Redemption Requests pursuant to its Constitution, Product Disclosure Statement and any Fund updates.

For all Redemption Requests received by Aurora after the 31 August 2016, Aurora will process those Redemption Requests pursuant to its Constitution, Product Disclosure Statement and any Fund updates.

Further information

If you have any queries or concerns, please contact us.

Telephone: 02 9080 2377 or 1300 553 431 (within Australia) or 0800 447 637 (within New Zealand)
Email: enquiries@aurorafunds.com.au
Post: PO Box R1695, Royal Exchange NSW 1225

Aurora Funds Management Limited | ABN 69 092 626 885 | AFSL No. 222110
31 August 2016

Aurora Fortitude Absolute Return Fund

Reinstatement of Liquidity & Antares Convertible Note Update

Aurora Funds Management Limited (“Aurora”) provides the following update in respect of the Aurora Fortitude Absolute Return Fund (the “Fund”).

Antares Convertible Note Update

As at 30 June 2016, the Fund held investments in Antares Energy Limited Convertible Notes (ASX: AZZG), which had been suspended from trading on the Australian Stock Exchange on 15 September 2015 and remain suspended as at the date of this update.

In February 2016, Aurora made the decision to freeze applications and redemptions in the Fund, on the basis that it could not accurately determine a value for the AZZG Notes.

For the purposes of the June 2016 year-end financial statements, and after careful consideration of all of the available information, Aurora has formed the view that the AZZG Notes should be recognised at a nil value. In forming this view, Aurora has relied on the following information:

- On 8 April 2016, Antares Energy Limited (“Antares”) issued a notice of resumed meeting of noteholders (to be held on 29 April 2016) to, amongst other things, extend the reset date of the AZZG Notes to 31 March 2017 and amend the next interest payment date to 30 April 2017. This meeting did not proceed.
- On 29 April 2016, Antares appointed Bryan Kevin Hughes and Daniel Johannes Bredenkamp of Pitcher Partners as Joint and Several Administrators.
- On 10 May 2016, following a resolution passed at the first meeting of creditors, Quentin James Olde and Michael Joseph Ryan of FTI Consulting replaced Bryan Kevin Hughes and Daniel Johannes Bredenkamp of Pitcher Partners as Joint and Several Administrators of Antares.
- As part of the 30 June 2016 year-end audit procedures, Aurora engaged an external independent valuer in the US, South Texas Reservoir Alliance LLC (STXRA), to perform an independent valuation of the underlying assets of Antares, being Northern Star and Big Star (STXRA conducted a similar valuation for the purposes of Aurora’s 31 December 2015 financial statements). In summarising the STXRA valuation, the following observations are relevant:
 - STXRA reviewed, in the course of its analysis, both recent market transactions and public land records to provide both a liquidation and transactional evaluation of the assets;
 - The Administrator of Antares, FTI Consulting, made an ASX Announcement on 30 August 2016 calling for Expressions of Interest. In that Announcement, the Administrator advised that circa 5,000 acres of leased land had expired, leaving circa 15,900 acres;
 - STXRA indicated that “there is a trend in the E&P industry right now to only focus on core acreage and this leasehold is not considered core in the Midland basin so the number of potential purchasers for this asset are pretty limited”;
 - STXRA provided a valuation range of between USD\$985,000 (representing 2X the lower end of the Liquidation value) to USD\$12,312,500 (representing 5X the upper end of the Liquidation

value) (being AUD\$1,279,055 to AUD\$15,988,183). The face value of the AZZG Notes is AUD\$47.5 million;

- STXRA concluded that Antares, “given its financial situation and inaction on its leases, would probably tend more towards lower end of liquidation pricing”;
- STXRA also noted that “due to Antares lease position falling apart and the recent lower price per acre metrics, it appears that this asset will tend to the lower values”;
- The STXRA valuation range excludes any other liabilities and costs that need to be satisfied by the Administrator;
- The Funds holds circa 12.0% of the AZZG Notes;
- Antares has been trying to sell the asset for a number of years, with no sale forthcoming; and
- The external valuation is based on the value of the acreage, so any costs of administration would need to be paid first.

In addition to the STXRA valuation, Aurora management had regard to confidential information and reports provided by the Administrators.

The fair value of the AZZG Notes is based on significant estimates and judgements adopted by management of Aurora based on the prevailing market conditions and all available information about Antares as at the date of the 30 June 2016 financial report.

Aurora management considered the range of possible values and determined that the fair value of the AZZG Notes held by the Fund should be nil as at 30 June 2016.

As part of the year-end audit procedures, the external auditors (Deloitte) reviewed the analysis prepared by Aurora management along with the associated reports and concurred with the position taken.

Reinstatement of Liquidity

On 25 July 2016, Aurora announced a proposed liquidity solution that, amongst other things, involved the creation of two (2) notional pools, being the Aurora Fortitude Absolute Return Fund General Pool (“General Pool”) and the Aurora Fortitude Absolute Return Fund Note Pool (“Note Pool”). Under this proposal, it was contemplated that the illiquid investment, AZZG Notes, would be transferred to the Note Pool along with some cash to fund the Administration, with the remaining liquid investments being held in the General Pool. All existing investors would then have proportional exposure to both Pools.

In light of the decision above to write down the carrying value of the AZZG Notes to nil as at 30 June 2016:

- the commercial rationale supporting the creation of two (2) notional pools no longer exists, as the associated costs are likely to outweigh the potential benefits; and
- the Fund becomes unfrozen.

As a result, Aurora will no longer create two (2) notional pools but rather will now process all Redemption Requests pursuant to its Constitution, Product Disclosure Statement and any Fund updates.

Update on Redemption Requests

Prior to the announcement on 25 July 2016, Aurora had received a number of Redemption Requests which would have been processed had it not been for the uncertainty around the AZZG Note valuation. For those requests received prior to 25 July 2016, no withdrawal fee will be charged.

In light of the decision not to proceed with the creation of two (2) notional pools, all investors that had lodged Redemption Requests after 25 July 2016 but before 31 August 2016, will now have the option of withdrawing their Redemption Request. This option remains open for seven (7) days. If no withdrawal request is received by 7 September 2016, Aurora will process those Redemption Requests pursuant to its Constitution, Product Disclosure Statement and any Fund updates.

For all Redemption Requests received by Aurora after the 31 August 2016, Aurora will process those Redemption Requests pursuant to its Constitution, Product Disclosure Statement and any Fund updates.

What to do if you wish to remain invested in the Fund

If you wish to remain invested in the Fund, **you don't need to do** anything. Your investment will continue to:

- Pay quarterly distributions; and
- Be actively managed according to the Fund's investment objective.

What to do if you wish redeem

Should you wish to withdraw part or all of your investment, you will need to:

- Download a redemption form from our website at <http://www.aurorafunds.com.au/wp-content/uploads/2013/07/AFARF-Redemption-Request.pdf>; and
- Read and consider the Aurora Absolute Return Fund PDS available from www.aurorafunds.com.au

The unit registry, One Registry Services will send you a confirmation of your redemption. You should keep this documentation for your records. One Registry Services can be contacted on (02) 8188 1510.

Further information

If you have any queries or concerns, please contact us.

Telephone: (02) 9080 2377 or 1300 553 431 (within Australia) or 0800 447 637 (within New Zealand)
Email: enquiries@aurorafunds.com.au
Post: PO Box R1695, Royal Exchange NSW 1225

Aurora Funds Management Limited | ABN 69 092 626 885 | AFSL No. 222110
31 August 2016