

## Aurora Absolute Return Fund

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### Off-market takeover bid for Molopo Energy Limited

Aurora Funds Management Limited ("Aurora") provides an important update regarding the off-market takeover bid for Molopo Energy Limited by Aurora Fortitude Absolute Return Fund ("AFARF"), which directly impacts the Aurora Absolute Return Fund.

#### Further information

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

Telephone: 1300 553 431

Email: [enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)

**Aurora Funds Management Limited | ABN 69 092 626 885 | AFSL No. 222110**  
**26 October 2017**

26 October 2017

ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**Attention: Company Announcements**

**Off-market takeover bid for Molopo Energy Limited**

In accordance with step 5 in the table in section 633(1) of the *Corporations Act 2001* (Cth), please find attached a copy of the bidder's statement made by Aurora Funds Management Limited as responsible entity of the Aurora Fortitude Absolute Return Fund in relation to its off-market takeover bid for all of the ordinary shares in Molopo Energy Limited (**Molopo**) which are not owned by or on behalf of the bidder. A copy of the bidder's statement has been lodged with the Australian Securities and Investments Commission and sent to Molopo today.

For the purposes of sections 633(2) and 633(4) of the *Corporations Act 2001* (Cth), the bidder has set 27 October 2017 (at 9:00 am (Melbourne time)) as the date for determining holders of shares in Molopo to whom takeover offers will be made.

Yours faithfully



**John Patton**  
Managing Director  
Aurora Funds Management Limited ABN 69 092 626 885  
as responsible entity of the  
Aurora Fortitude Absolute Return Fund ARSN 145 894 800

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your legal, financial or other professional adviser.

## Bidder's statement

for an offer by

**Aurora Funds Management Limited** ABN 69 092 626 885  
as responsible entity of the  
**Aurora Fortitude Absolute Return Fund** ARSN 145 894 800

to acquire all of the ordinary shares held by you in

**Molopo Energy Limited** ABN 79 003 152 154

The consideration offered for each ordinary share is \$0.135 which is payable in cash (subject to total cash consideration being capped at \$5 million) or units in the Aurora Fortitude Absolute Return Fund (with an equivalent value)



NORTON  
GLEDHILL

Lawyers to Aurora Funds Management Limited

### **Important notices**

This bidder's statement is made by Aurora Funds Management Limited as responsible entity of the Aurora Fortitude Absolute Return Fund under part 6.5 of the Corporations Act. This bidder's statement is dated, and a copy was lodged with ASIC and given to ASX, on 26 October 2017. ASIC and ASX take no responsibility for the contents of this bidder's statement.

This bidder's statement does not take into account your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before making a decision whether to accept the Offer and whether AFARF Units are an appropriate investment for you.

This bidder's statement does not constitute an offer or invitation to issue AFARF Units (as consideration for the acquisition of Molopo Shares) to any person in a jurisdiction where it would not be lawful to make such an offer.

### **Forward looking statements**

Any forecast or any forward looking statement contained in this bidder's statement may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct, and there are usually differences between forecasts and actual results because events and actual circumstances frequently do not occur as forecast (including due to the risk factors described in section 10) and these differences may be material. Nothing contained in this bidder's statement is, or may be relied on as, a promise or representation as to a future outcome.

### **Financial amounts**

All financial amounts in this bidder's statement are expressed in Australian dollars, unless otherwise stated.

### **Privacy**

Personal information relating to your holding of Molopo Shares will be obtained by Aurora (or a representative or service provider of Aurora) from Molopo (or a representative or service provider of Molopo) in accordance with its rights under the Corporations Act for the purposes of this Offer including, if the Offer is accepted, your acceptance of the Offer and administering your holding of AFARF Units (if any).

The type of information that has been or may be collected about you includes your name, contact details and information on your holding of Molopo Shares. Without this information, Aurora would be hindered in its ability to carry out the Offer. Information collected about you may be disclosed on a confidential basis to Aurora and its representatives and service providers and to Regulators (including ASIC) where necessary for the purposes of the Offer or as otherwise required or permitted by law.

Aurora and its representatives and service providers may use this information solely for purposes relating to the Offer and to assist in any future relationship with you as an AFARF Unit Holder, e.g. to process your Acceptance Form, service your needs as an AFARF Unit Holder, provide facilities and services that you request, and administer AFARF. The types of service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are AFARF's unit registrar for ongoing administration of the AFARF Unit Holder register, printers and other companies for the purposes of preparation and distribution of statements and for handling mail, market research companies for the purposes of analysing the investor base and for product development and planning, and legal and accounting firms, auditors, contractors, consultants and other advisers for the purposes of administering and advising on the AFARF Units and for associated actions.

If you do not provide the information requested in the Acceptance Form, your acceptance of the Offer may not be able to be processed or accepted.

You may request access to your personal information held by or on behalf of Aurora. You may be required to pay a fee in order to access your personal information. Please contact [enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au) or 1300 553 431 if you want to access, or have any question about how Aurora handles, your personal information. You can obtain a copy of Aurora's privacy policy on request.

### **Defined terms**

A number of terms used in this bidder's statement are defined in section 13 (glossary).

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## Important dates

<b>Bidder's statement lodged with ASIC and given to ASX and Molopo</b>	Thursday 26 October 2017
<b>Offer opens</b>	Thursday 9 November 2017
<b>Offer closes</b>	7:00 pm (Melbourne time) on Friday 19 January 2018, unless withdrawn or extended in accordance with the Corporations Act

## Further information

If you have any questions in relation to the Offer or accepting it, please contact Aurora by:

- (a) telephone on 1300 553 431 (for callers in Australia) or +61 2 9080 2377 (for callers outside Australia) from 8:30 am to 5:00 pm (Melbourne time) on Business Days; or
- (b) email ([enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)).

## Managing director's letter

26 October 2017

Dear Molopo Shareholder

### Offer to acquire all of your Molopo Shares

On behalf of Aurora, I am pleased to send you this Offer to acquire all of your Molopo Shares for consideration of \$0.135 each.

My fellow directors and I believe that this Offer provides compelling benefits to Molopo Shareholders, including the following:

1. The cash component of the Offer provides Molopo Shareholders with some immediate liquidity for their Molopo Shares that they are currently denied due to the various trading halts and continuing suspensions affecting Molopo Shares this year.
2. Molopo Shareholders who accept the Offer and are issued AFARF Units can redeem them at a redemption price based on Net Asset Value (subject to any redemption restrictions in place from time to time, such as the restrictions currently in force described in section 4.21), which will also provide those Molopo Shareholders who accept AFARF Units with some liquidity for their Molopo Shares.
3. The Bid consideration is comparable to Molopo's share price when it last traded, being approximately 0.3% above the 30 day volume weighted average price of Molopo Shares (for the period ending on 21 July 2017, when Molopo Shares last traded on ASX). Since Molopo Shares last traded, Molopo has entered into a transaction and announced a loss that may have impacted Molopo's value by up to \$0.045 per Molopo Share. Aurora has requested additional information from Molopo on the transaction in order to value it and may increase the Bid consideration depending on the information provided.
4. Molopo Shareholders who accept the Offer and are issued AFARF Units will maintain an exposure to Molopo's balance sheet and accrue the benefits should Aurora gain control of Molopo and be able to implement its proposed intentions to unlock Molopo's value, which primarily involves:
  - (a) resolution of Molopo's litigation, and prudent management of Molopo's capital while this process is being finalised; and
  - (b) making capital returns to Molopo Shareholders.Aurora is of the view that, assuming it does gain control of Molopo, its current board and management are well placed to achieve those intentions as they include:
  - (a) the former chairman of Molopo, who is familiar with the litigation; and
  - (b) former senior members of the corporate restructuring practice of an international 'Big 4' consulting firm.

5. There is currently no other offer for Molopo.

The Offer will be open for acceptance until 7:00 pm (Melbourne time) on Friday 19 January 2018, unless withdrawn or extended. If you wish to accept the Offer, you can complete and return the Acceptance Form which accompanies this bidder's statement in accordance with the instructions set out on the Acceptance Form and in section 12.4 of this bidder's statement.

This bidder's statement provides further details of the Offer and further information about AFARF. I encourage you to read it carefully and recommend the Offer to you.

Yours sincerely



**John Patton**  
Managing Director

## 1. Key questions and answers

This section 1 is designed to give you a general overview of the Offer and point you to more detailed information elsewhere in this bidder's statement. As it is only a summary, you should read this bidder's statement in full prior to deciding whether to accept the Offer.

### 1.1 Who is the bidder making the Offer?

The bidder is Aurora as responsible entity of AFARF. AFARF is a managed investment scheme registered under the Corporations Act.

See sections 3 and 4 for further information.

### 1.2 What is this bidder's statement?

This bidder's statement sets out the terms of the Offer for your Molopo Shares and other information to assist you to make a decision about whether to accept the Offer.

This bidder's statement is an important document and requires your immediate attention. If you are in doubt as to how to deal with it, you should consult your legal, financial or other professional adviser.

### 1.3 What will I receive if I accept the Offer?

The Bid consideration offered is \$0.135 for each Molopo Share.

You may elect to receive the consideration in cash and/or by the issue of new AFARF Units with an equivalent value.

The cash consideration under the Bid is capped at \$5 million in total. If the cash consideration under all accepted Offers would exceed \$5 million, the acceptances for cash consideration will be scaled back and the excess consideration will be satisfied by the issuance of new AFARF Units.

AFARF Units are not quoted on ASX or any other financial market. Accordingly, the ability to sell them is limited. However, AFARF Units can be redeemed (subject to the redemption restrictions currently in place or any other redemption restrictions that may apply from time to time — see section 4.21 for further information).

#### ***Cash consideration (capped at \$5 million in total)***

As the cash consideration under the Bid is capped at \$5 million in total, if you accept the Offer and elect to receive cash for your Molopo Shares, the quantum of cash consideration that you will be entitled to receive will depend on the level of all acceptances for cash. If the total cash consideration under all accepted Offers is \$5 million or less, you will be entitled to receive 100% of the cash consideration that you have elected to receive for your Molopo Shares. However, if total cash consideration would exceed \$5 million, the cash component of the consideration that you would otherwise be entitled to receive will be scaled back proportionately. For example, if all Offers are accepted for 100% cash consideration, every acceptance would be scaled back resulting in just \$0.02 of cash consideration payable for each Molopo Share (and the balance of \$0.115 being provided by the issuance of new AFARF Units of equivalent value).

The following table sets out some examples of the amount of cash per Molopo Share that would be payable to accepting Molopo Shareholders depending on the level of acceptances for cash:

Percentage of Molopo Shares to which Offer relates that are agreed to be sold under accepted Offers for cash consideration	Approximate scale back proportion	Cash consideration payable for each Molopo Share	Balance of consideration for each Molopo Share agreed to be sold under accepted Offers for cash consideration to be provided in the form of new AFARF Units
10%	No scale back	\$0.135	\$0
25%	40%	\$0.081	\$0.054
50%	70%	\$0.041	\$0.094
75%	80%	\$0.027	\$0.108
100%	85%	\$0.02	\$0.115

On the date Aurora is required to give notice on the status of the defeating conditions referred to in section 12.8 (which is no more than 14 days and not less than 7 days before the end of the Offer Period), Aurora will also give a notice to Molopo and ASX specifying:

- the number and percentage of Molopo Shares to which the Offer relates that have been validly accepted before that date;
- the number and percentage of Molopo Shares agreed to be sold under such accepted Offers for cash consideration; and
- based on these acceptances, the scale back proportion (if any) and the amount of cash consideration per Molopo Share payable under the accepted Offers.

**IMPORTANT NOTICE:**

**The final scale back proportion (if any) will not be known until after the end of the Offer Period, and may be higher than the proportion set out in the notice to be given by Aurora referred to above, depending on whether additional acceptances are received for cash consideration in the remaining Offer Period.**

**If all Molopo Shareholders accept their Offers and elect to receive cash consideration, every acceptance would be scaled back and would result in just \$0.02 of cash consideration payable for each Molopo Share (and the balance of \$0.115 being provided by the issuance of new AFARF Units of equivalent value).**

**Consideration in AFARF Units**

Where AFARF Units are to be issued as consideration, the number of AFARF Units that will be issued will be equal to the number of Molopo Shares to be transferred in exchange for the AFARF Units multiplied by \$0.135, and then divided by NAV per AFARF Unit, rounded to the nearest whole number (and where the fraction is  $\frac{1}{2}$ , the fractional entitlement will be rounded up to the nearest whole number). NAV per AFARF Unit will be determined in accordance with AFARF's constitution as at the last Business Day of the month following the date on which the takeover contract resulting from acceptance of the Offer becomes unconditional.

The following table sets out some examples of the number of AFARF Units that would be issued to accepting Molopo Shareholders that elected to receive AFARF Units as consideration, assuming that NAV per AFARF Unit is \$0.6243 (being the NAV per AFARF Unit as at 30 September 2017 based on AFARF's unaudited management accounts to that date):

Number of Molopo Shares held by accepting Molopo Shareholder	Number of AFARF Units issued to accepting Molopo Shareholder
1,000	216
5,000	1,081
10,000	2,162
50,000	10,812



Number of Molopo Shares held by accepting Molopo Shareholder	Number of AFARF Units issued to accepting Molopo Shareholder
100,000	21,624

See section 12.1 for further information.

#### 1.4 What if I am a foreign Molopo Shareholder?

A foreign Molopo Shareholder:

- (a) who accepts the Offer; and
- (b) whose address as shown in Molopo's register of Molopo Shareholders is in a jurisdiction other than Australia or New Zealand;

will not be entitled to receive AFARF Units as consideration for their Molopo Shares, unless Aurora otherwise determines after being satisfied that:

- (c) it is not unlawful under the law of the relevant foreign jurisdiction, not unduly onerous and not unduly impracticable to make the Offer to the Molopo Shareholder in the relevant foreign jurisdiction or to provide consideration to the Molopo Shareholder on acceptance of the Offer (including by the issue of AFARF Units to such a foreign holder); and
- (d) it is not unlawful under the law of the relevant foreign jurisdiction for such a foreign holder to accept the Offer.

If such a foreign Molopo Shareholder is not entitled to receive AFARF Units, Aurora will appoint a nominee for the foreign Molopo Shareholder (approved by ASIC) to sell the Units that would otherwise be transferred to the accepting foreign Molopo Shareholder, and to distribute the proceeds to that foreign Molopo Shareholder (net of expenses).

See section 12.15 for further information.

#### 1.5 Why should I accept the Offer?

The reasons why you should accept the Offer include the following:

- (a) The Offer consideration is at a premium of approximately 0.3% above the 30 day volume weighted average price for Molopo Shares for the period ending on 21 July 2017, being the last day on which Molopo Shares traded on ASX prior to being placed in trading halt (and then suspended from quotation). Further, since Molopo Shares last traded on ASX, Molopo has entered into a transaction and announced a loss that Aurora estimates could dilute the value of a Molopo Share by up to \$0.045.
- (b) Molopo Shares have been in trading halt or suspension since 25 July 2017. It is unclear when Molopo Shares will be reinstated to quotation on ASX. The Offer provides an opportunity for Molopo Shareholders to achieve value for their Molopo Shares and may be an attractive alternative to the current uncertainty (with potentially no readily available market for Molopo Shares) and lack of strategic direction at Molopo.
- (c) If a Molopo Shareholder accepts the Offer and is issued AFARF Units, the Molopo Shareholder will become a unit holder in an enlarged managed investment scheme that employs an actively managed and opportunistic value-oriented investment approach, with estimated funds under management that would exceed \$60 million.<sup>1</sup>
- (d) Although AFARF Units cannot be traded on ASX, they can be redeemed at a redemption price based on NAV per AFARF Unit (adjusted for the buy-sell spread), which will provide those Molopo Shareholders who accept AFARF Units with the liquidity they are currently denied due to the various trading halts and continuing suspensions affecting Molopo Shares this year. Redemptions may be subject to restrictions from time to time. There are currently restrictions in place on AFARF Unit redemptions — see section 4.21 for further details.

<sup>1</sup> Based on Molopo's net assets as at 30 June 2017 set out in its auditor-reviewed statement of financial position for the half year ended on that date and the estimated funds under management of AFARF as at 30 September 2017 determined by reference to AFARF's unaudited management accounts for the 3 months ended on that date, and assuming AFARF acquires all of the Molopo Shares to which the Offer relates and the maximum cash consideration of \$5 million is paid to accepting Molopo Shareholders.

- (e) At the date of this bidder's statement, no other party has announced an offer (or an intention to make an offer) for Molopo.
- (f) If a Molopo Shareholder accepts the Offer and is issued AFARF Units, the Molopo Shareholder will not pay any brokerage.

See section 2 for further information.

### 1.6 How long do I have to make a decision about the Offer?

The Offer opens on Thursday 9 November 2017 and closes at 7:00pm (Melbourne time) on Friday 19 January 2018, unless withdrawn or extended in accordance with the Corporations Act.

If the Offer is extended, Aurora will send you a written notice of the extension.

See section 12.2 for further details.

### 1.7 What are my options?

You may:

- (a) accept the Offer;
- (b) unless you have already accepted the Offer, sell your Molopo Shares on ASX (assuming Molopo Shares have been reinstated to quotation on ASX) or try and sell your Molopo Shares off-market; or
- (c) do nothing.

If you do nothing and Aurora acquires sufficient Molopo Shares to proceed to compulsory acquisition, then Aurora may elect to compulsorily acquire your Molopo Shares.

### 1.8 How do I accept the Offer?

There are different ways to accept the Offer, depending on how you hold your Molopo Shares:

**Issuer sponsored holdings:** You may accept the Offer by completing and signing the Acceptance Form and sending the completed and signed form to AFARF's unit registrar, Registry Direct, in accordance with the instructions set out on the form, before the end of the Offer Period.

**CHESS Holdings:** You may accept the Offer by instructing your Controlling Participant (usually your broker) to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period. You may also accept the Offer as noted above for issuer sponsored holdings. In that case, once Aurora receives your completed and signed Acceptance Form, Aurora will be directed to instruct your Controlling Participant (on your behalf) to accept the Offer in accordance with the Acceptance Form.

See section 12.4 and the Acceptance Form for further information.

### 1.9 What will happen if I accept the Offer?

Once you accept the Offer (even while it remains conditional), you will not be permitted to sell your Molopo Shares on ASX, accept any other offer or otherwise deal with your Molopo Shares (unless you exercise any withdrawal rights which might arise).

Once you have accepted the Offer, Aurora will be appointed as your true and lawful attorney to exercise all your powers and rights in relation to your Molopo Shares (including powers and rights to attend and vote in respect of your Molopo Shares at all general meetings of Molopo) from the time the takeover contract resulting from your acceptance becomes unconditional, and you also agree not to attend or vote in person at any general meeting of Molopo or to exercise, or to purport to exercise (in person, by proxy or otherwise), any of the other powers conferred on Aurora.

See sections 12.4 and 12.6 for further details.

### **1.10 Is the Offer subject to any conditions?**

Yes, the Offer is subject to conditions. The conditions include the following:

- (a) At the end of the Offer Period, Aurora as responsible entity of AFARF has a relevant interest in more than 50.1% (by number) of the Molopo Shares then on issue.
- (b) Any regulatory approvals or consents in relation to the Bid that are required by law are obtained.
- (c) There are no prescribed occurrences during the period starting on the Announcement Date and ending before the day on which Molopo makes its target's statement in relation to the Bid. A 'prescribed occurrence' includes Molopo converting all or any of the Molopo Shares into a larger or smaller number of shares, reducing its share capital, issuing new Molopo Shares or granting options over Molopo Shares, and disposing of the whole (or a substantial part) of its property.
- (d) Molopo does not acquire companies or assets (or interests in companies or assets) for an amount in any single transaction of more than \$2 million.
- (e) No material adverse change to Molopo's assets, liabilities, financial position, performance, profitability or prospects during the period starting on the Announcement Date and ending at the end of the Offer Period.
- (f) The closing sale price of a Molopo Share on ASX does not fall below \$0.11 for 3 consecutive trading days during the period starting on the Announcement Date and ending at the end of the Offer Period (in the event that Molopo Shares are reinstated to quotation on ASX).

See section 12.8 for further details.

### **1.11 What happens if the conditions are not met or waived?**

If you accept the Offer but the conditions to the Offer are not satisfied or waived by the relevant time required by the Corporations Act, the contract resulting from your acceptance of the Offer will come to an end, and control of your Molopo Shares will be returned to you.

See section 12.9 for further details.

### **1.12 When will I receive the consideration if I accept the Offer?**

In the usual case, if you validly accept the Offer and all of the defeating conditions of the Offer are satisfied or waived, payment of the cash consideration and/or the issue of the AFARF Units to you (as applicable) under the Offer will be made by the end of whichever of the following periods ends earlier:

- (a) 1 month after the Offer is accepted or, if at the time acceptance of the Offer is subject to a defeating condition, 1 month after the contract resulting from your acceptance of the Offer becomes unconditional.
- (b) 21 days after the end of the Offer Period.

For example, if the Offer closes on Friday 19 January 2018 as currently scheduled and the conditions are all satisfied on that date, the consideration would be provided to Molopo Shareholders who accept the Offer by no later than Friday 9 February 2018.

If you do not accept the Offer and Aurora proceeds to acquire compulsorily any Molopo Shares AFARF does not own at the end of the Offer Period, then you will only receive your consideration in accordance with the timing of the compulsory acquisition provisions of the Corporations Act. That may be more than 2 months after the end of the Offer Period.

See section 12.7 for further details.

### **1.13 Can I accept the Offer for some, but not all, of my Molopo Shares?**

Generally, you can only accept the Offer for all of your Molopo Shares.

However, if you hold 1 or more parcels of Molopo Shares to which the Offer relates e.g. as a trustee or nominee, you may accept as if a separate Offer had been made in relation to each of those parcels.

See section 12.3(d) and 12.4(a) for further details.

**1.14 What happens if I do not accept the Offer?**

If you do not accept the Offer, you will keep your Molopo Shares and remain a Molopo Shareholder.

However, if Aurora becomes the owner of at least 90% of the Molopo Shares on issue following completion of the Offer, your Molopo Shares may be compulsorily acquired.

See section 6.3 for further details.

**1.15 Can I withdraw my acceptance?**

Once you accept the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act.

A withdrawal right will arise if, after you have accepted the Offer and the Offer remains conditional, Aurora varies the Offer in a way that postpones, for more than one month, the time when it has to meet its obligations under the Offer. If this occurs, Aurora will send you a written notice at the relevant time that explains your right to withdraw your acceptance of the Offer.

See sections 12.6 and 12.13 for further details.

**1.16 What happens if I accept the Offer and the Bid consideration is increased?**

In accordance with the Corporations Act, if Aurora increases the Bid consideration above \$0.135 for each Molopo Share, you will be entitled to the increased consideration irrespective of when you accepted the Offer. If you have already received the consideration in respect of the Offer, you will receive the difference between the amount you have already received and the amount of the increased consideration.

However, if you sell your Molopo Shares on ASX instead of accepting the Offer (assuming Molopo Shares are reinstated to quotation on ASX), you will not receive the benefit of any subsequent increase in the consideration under the Offer.

**1.17 Do I have to pay any stamp duty, brokerage or other transaction fees if I sell my Molopo Shares under the Offer?**

You will not have to pay stamp duty if you accept the Offer.

You will not incur any brokerage if you accept the Offer either, where you send your completed and signed Acceptance Form directly to Registry Direct in accordance with section 12.4.

However, if your Molopo Shares are held in a CHESS Holding or you hold your Molopo Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

See section 12.16 for further details.

**1.18 What are the tax implications of accepting the Offer?**

The tax implications of accepting the Offer may vary for each Molopo Shareholder.

You should consult your own tax adviser for advice applicable to your individual needs and circumstances.

See section 9 for further details.

**1.19 What should I do next?**

**Step 1:** Read this bidder's statement in its entirety and carefully consider the information provided.

**Step 2:** Read the target's statement to be made by Molopo.

**Step 3:** If you need advice, consult your legal, financial or other professional adviser.

**Step 4:** If you decide to accept the Offer, follow the instructions in section 12.4.

## 2. Why you should accept the Offer

### 2.1 The Bid consideration is attractive compared to Molopo's share price performance

The Bid consideration of \$0.135 for a Molopo Share is at a premium of approximately 0.3% above the volume weighted average price of a Molopo Share on ASX over the 30 trading days ended on 21 July 2017, being the last day Molopo Shares were traded on ASX before the date of this bidder's statement. Further, the Bid consideration is just a discount of less than 3.6% to the closing sale price of Molopo Shares on 21 July 2017.

Since then, Molopo has announced<sup>2</sup> that it has acquired a 50% interest in Orient FRC Ltd (**Orient**) from a Dr Gil Feiler, a banker and hedge fund manager, for US\$7 million (AU\$8.75 million based on \$0.80 AU/US dollar exchange rate). According to Molopo's announcement, this company has a right to a 50% working interest in an oil and gas exploration project in the State of Florida, United States of America in exchange for bearing 100% of the drilling and completion costs.

Despite Aurora's repeated requests, at the date of this bidder's statement, Molopo has not provided any further details about the Orient transaction.

In addition, Molopo has announced<sup>3</sup> an after tax operating loss of \$2.7 million for the half year ended 30 June 2017 (including \$1.4 million in administration expenses, an increase of \$1.1 million for the prior corresponding half year in 2016). Molopo gave limited explanation in its half year financial statements about this substantial increase in expenditure.

In the circumstances, and based on the limited information available to it, Aurora:

- (a) considers that the Orient transaction could be value dilutive to Molopo, and has estimated that value dilution could be up to \$0.035 for each Molopo Share currently on issue; and
- (b) has calculated the half year loss to be the equivalent of \$0.01 for each Molopo Share currently on issue;

resulting in the value of a Molopo Share potentially being reduced by up to \$0.045.

In the event that Molopo provides additional information that enables value to be attributed to the Orient transaction, Aurora will consider improving the Bid consideration and/or other Offer terms.

### 2.2 Molopo's future is uncertain

Molopo Shares have been in trading halt<sup>4</sup> or suspension<sup>5</sup> since 25 July 2017. The Offer provides an opportunity for Molopo Shareholders to achieve value for their Molopo Shares which may be an attractive alternative to the current uncertainty (with potentially no readily available market for Molopo Shares) and lack of strategic direction at Molopo.

### 2.3 Unit holding in enlarged managed investment scheme

If a Molopo Shareholder accepts the Offer and is issued AFARF Units, the Molopo Shareholder will become a unit holder in an enlarged managed investment scheme that employs an actively managed and opportunistic value-oriented investment approach, with estimated funds under management to exceed \$60 million.<sup>6</sup>

<sup>2</sup> Announcement by Molopo to ASX dated 22 August 2017 with headline 'Molopo invests into Orient FRC and Florida petroleum assets'.

<sup>3</sup> Announcement by Molopo to ASX dated 11 September 2017 with headline 'June 2017 Half Yearly Report and Accounts'.

<sup>4</sup> Announcement by Molopo to ASX dated 25 July 2017 with headline 'Trading Halt'.

<sup>5</sup> Announcement by Molopo to ASX dated 27 July 2017 with headline 'Suspension from Official Quotation'.

<sup>6</sup> Based on Molopo's net assets as at 30 June 2017 set out in its auditor-reviewed statement of financial position for the half year ended on that date and estimated funds under management of AFARF as at 30 September 2017 determined by reference to AFARF's unaudited management accounts for the 3 months ended on that date, and assuming AFARF acquires all of the Molopo Shares to which the Offer relates and the maximum cash consideration of \$5 million is paid to accepting Molopo Shareholders.

## **2.4 AFARF Units may be redeemed**

AFARF Unit Holders may realise their investment in AFARF by redeeming their AFARF Units for NAV per AFARF Unit (adjusted for the buy-sell spread), subject to AFARF's constitution. This will provide those accepting Molopo Shareholders who are issued AFARF Units in exchange for their Molopo Shares with the liquidity they are currently denied due to the various trading halts and continuing suspensions affecting Molopo Shares this year, although from time to time there may be restrictions on an AFARF Unit Holder's ability to redeem their AFARF Units — see section 4.20 for details of the redemption process and section 4.21 for details of the redemption restrictions that currently apply.

## **2.5 No other offer**

At the date of this bidder's statement, no other party has announced an offer (or an intention to make an offer) for Molopo. Coupled with the uncertainty facing Molopo (see section 2.2), the Offer represents a real and current opportunity to realise the value of your Molopo Shares.

## **2.6 AFARF Unit Holders will retain an exposure to Molopo's balance sheet**

If Aurora is able to gain control of Molopo and give effect to its intentions in relation to Molopo (see sections 6.2 to 6.4), which include resolving residual litigation against Molopo and returning a material amount of Molopo's capital to Molopo Shareholders, Molopo Shareholders who accept the Offer and are issued AFARF Units will indirectly receive the benefit of the resulting financial returns expected by Aurora.

## **2.7 No brokerage**

By accepting the Offer, you will not incur any brokerage.

If you were to sell your Molopo Shares through a broker, you may incur brokerage (and GST on that brokerage).

## **2.8 Risks of being a minority Molopo Shareholder**

If, following completion of the Offer:

- (a) Aurora owns more than 50% of the Molopo Shares on issue;
- (b) you do not accept the Offer and remain a Molopo Shareholder; and
- (c) Molopo remains listed;

the market for your Molopo Shares may be less liquid or less active (assuming Molopo Shares are reinstated to quotation on ASX), exposing the remaining Molopo Shareholders to greater uncertainty. This may make it more difficult to sell your Molopo Shares at an attractive price in the future.

If the number of Molopo Shareholders following completion of the Offer is less than that required by the ASX Listing Rules, ASX may delist Molopo. If that occurs, you will not be able to sell your Molopo Shares on ASX.



### 3. ASIC hedge fund disclosures

#### Overview

This section 3 contains information relevant to making an investment in AFARF and, therefore, to Molopo Shareholders who are considering accepting the Offer and may as a result be issued AFARF Units as Bid consideration.

In accordance with AFARF's investment strategy and as permitted by AFARF's constitution, AFARF uses derivatives to gain an enhanced economic exposure in the underlying reference assets and the notional derivative exposure may exceed 10% of AFARF's NAV. AFARF may also engage in short selling and is entitled to a performance fee. As a consequence, AFARF is considered a hedge fund for the purposes of ASIC Regulatory Guide 240, which sets out ASIC's guidance on benchmarks and disclosure principles to address the key issues ASIC considers should be included in a disclosure document relating to a hedge fund to allow prospective retail investors to make an informed decision about whether or not to invest (or, in this case, accept the Offer and acquire AFARF Units as Bid consideration).

The following table provides a summary of the information identified in the benchmarks and disclosure principles, together with cross-references where further information can be found in this bidder's statement.

#### ASIC benchmarks

ASIC benchmark	Summary	Further information
<b>1. Valuation of assets</b>		
This benchmark addresses whether valuations of non-exchange traded assets are provided by an independent administrator or an independent valuation service provider.	This benchmark is met. Where AFARF invests in non-exchange traded assets, Aurora will engage an independent valuation service provider to value those assets.	See section 4.14.
<b>2. Periodic reporting</b>		
This benchmark addresses whether periodic disclosures of certain key information will be provided on an annual and monthly basis.	<p>AFARF meets this benchmark. Aurora has a policy to make available to investors periodic reports and updates on certain key information in relation to AFARF as follows:</p> <p><b>Annual reporting</b></p> <ul style="list-style-type: none"> <li>Actual asset allocation</li> <li>Liquidity profile of assets</li> <li>Maturity profile of liabilities</li> <li>Leverage ratio</li> <li>Details of derivative counterparties</li> <li>Investment returns</li> </ul> <p><b>Monthly updates</b></p> <ul style="list-style-type: none"> <li>Net Asset Value</li> <li>AFARF Unit redemption value</li> <li>Net return on assets after fees, costs and taxes</li> <li>Material changes in risk profile or investment strategy</li> <li>Changes to key service providers</li> <li>Changes to key investment decision makers</li> </ul> <p><b>Ongoing availability</b></p> <p>The latest reports and updates containing the above information will be available from Aurora's website (<a href="http://www.aurorafunds.com.au">www.aurorafunds.com.au</a>).</p>	See section 4.35.

**ASIC disclosure principles**

ASIC disclosure principle	Summary	Further information
<b>1. Investment strategy</b>		
This disclosure principle is intended to ensure that investors are made aware of the details of the investment strategy for AFARF, including the type of strategy, how it works in practice and how risks are managed.	AFARF seeks to employ an opportunistic value-orientated investment approach, with a focus on situations where Aurora may act as the catalyst to unlock value. Investment opportunities are sourced from internal sources, broker relationships and through other investors that may seek Aurora's assistance to implement an activist strategy at an investee company.	See section 4.6. For the specific risks associated with investing in AFARF and AFARF's risk management strategy, refer to section 10.
<b>2. Investment manager</b>		
This disclosure principle is intended to ensure that investors have the necessary information about the people responsible for managing AFARF's investments.	Aurora, as responsible entity, is also the investment manager for AFARF, and its investment management team comprised of Aurora executives implements AFARF's investment strategy.	See sections 4.4, 4.6 and 4.15.
<b>3. Fund structure</b>		
This disclosure principle is intended to ensure that the investment structures involved, the relationships between entities in the structure, fees payable to the responsible entity, the jurisdictions involved, the due diligence performed on underlying funds, and the related party relationships within the structure are explained.	AFARF is an Australian unit trust registered under the Corporations Act as a managed investment scheme. Aurora is the responsible entity of AFARF. There are a number of service providers that support AFARF, including: <ul style="list-style-type: none"> <li>▪ Deloitte Touche Tohmatsu, the auditor of AFARF</li> <li>▪ Interactive Brokers LLC, the prime broker and custodian of AFARF</li> <li>▪ Registry Direct, the unit registrar of AFARF</li> </ul>	See sections 4.3 and 4.17.
<b>4. Valuation, location and custody of assets</b>		
This disclosure principle is intended to ensure that the responsible entity discloses the types of assets held, where they are located, how they are valued and the custodial arrangements.	<p><b>Valuation of assets</b></p> <p>The assets of AFARF principally comprise equities, derivatives, cash and cash equivalents which are valued at the end of every calendar month in accordance with Aurora's valuation policy.</p> <p><b>Location and custody of material assets</b></p> <p>AFARF is able to purchase assets globally and, at the date of this bidder's statement, most investments of AFARF (both in Australia and overseas) are held by AFARF's custodian or sub-custodians.</p>	See sections 4.3, 4.6, 4.24 and 4.42.



ASIC disclosure principle	Summary	Further information
<b>5. Liquidity</b>		
This disclosure principle is intended to ensure that investors are made aware of AFARF's ability to realise its assets in a timely manner and understand the risks of illiquid classes of assets.	At the date of this bidder's statement, Aurora does not reasonably expect to be able to realise at least 80% of AFARF's assets under normal market conditions, at the value ascribed to those assets in calculating AFARF's Net Asset Value, within 10 days. As a result, Aurora has a liquidity management policy covering the adoption of redemption guidelines to address how requests for the redemption of AFARF Units may be processed in a way that is equitable for all investors.	See the information under the heading 'Liquidity' in section 4.6. For the risks associated with liquidity, refer to section 10.14. See also section 4.21.
<b>6. Leverage</b>		
This disclosure principle is intended to ensure that investors are made aware of the maximum anticipated level of leverage of AFARF (including leverage embedded in the assets of AFARF).	AFARF may utilise leverage as part of its investment strategy up to a targeted maximum of 500% of AFARF's gross asset value.	See the information under the heading 'Leverage' in section 4.6.
<b>7. Derivatives</b>		
This disclosure principle is intended to ensure that investors are made aware of the purpose and types of derivatives used by Aurora as responsible entity of AFARF, and the associated risks.	Derivatives may be used for risk management or to create new investment exposures, can be either over-the-counter or exchange traded, and may be in respect of any asset or thing e.g. specific equities, an equity index or a currency.	See the information under the heading 'Derivatives' in section 4.6. For the risks associated with derivatives, refer to section 10.4.
<b>8. Short selling</b>		
This disclosure principle is intended to ensure that investors are made aware of how short selling may be used as part of the investment strategy, and of the associated risks and costs of short selling.	Short selling of securities may opportunistically occur for risk management or to generate additional returns. A loss will be incurred when short selling securities if the short selling price is lower than the subsequent purchase price. Short selling securities also involves additional risks such as liquidity risk, leverage risk and regulatory risk.	See the information under the heading 'Short selling' in section 4.6. For the risks associated with short selling, refer to section 10.9.
<b>9. Withdrawals</b>		
This disclosure principle is intended to ensure that investors are made aware of the circumstances in which Aurora allows withdrawals and how this might change.	Aurora has a broad discretion in relation to accepting and processing redemption requests including restricting or suspending redemptions. At the date of this bidder's statement, Aurora has implemented a liquidity management policy which allows for the scale back of redemption requests in certain circumstances.	See the information under the heading 'Liquidity' in section 4.6. See also section 4.21.

## 4. Profile of AFARF

### 4.1 Overview

This section 4 contains information relevant to making an investment in AFARF and, therefore, to Molopo Shareholders who are considering accepting the Offer and may as a result be issued AFARF Units as Bid consideration.

AFARF is a unit trust registered as a managed investment scheme under the Corporations Act and is governed by a constitution. Investors in AFARF are issued AFARF Units. AFARF Units are not admitted to quotation on ASX or any other financial market.

Managed investment schemes such as AFARF allow you to pool your money with that of many individual investors. This money is then invested, in a way that aims to achieve the investment objectives of AFARF. By investing in AFARF, investors have access to investments they may not be able to access on their own and they also benefit from the insights of Aurora's investment team.

As at 30 September 2017, AFARF's estimated funds under management was approximately \$13.5 million.<sup>7</sup>

### 4.2 Units

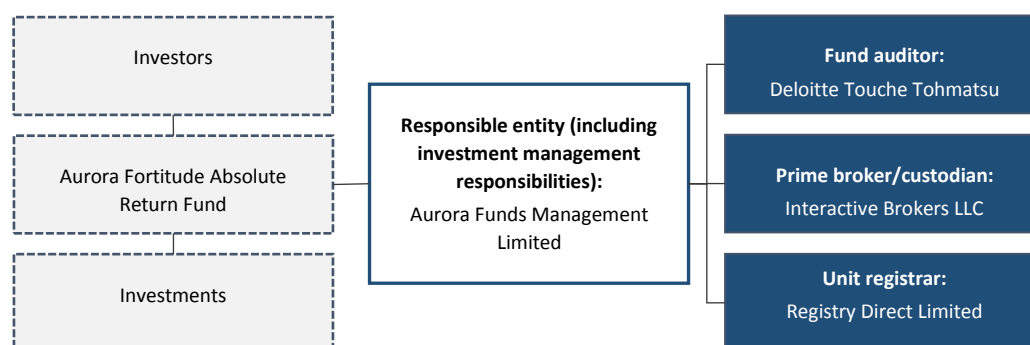
Under AFARF's constitution, Aurora as responsible entity may issue different classes of units in AFARF to which are attached different rights, obligations and restrictions. However, AFARF currently has on issue only one class of units.

At the date of this bidder's statement, there are 20,386,855 AFARF Units on issue held by 24 AFARF Unit Holders, and 9,532,521 of these AFARF Units (representing approximately 47% of the total number of AFARF Units on issue) are held on behalf of the Aurora Absolute Return Fund, another managed investment scheme operated by Aurora. Many of the other AFARF Unit Holders are IDPS operators (or their custodians) and hold the AFARF Units for a number of underlying investors.

The AFARF Units to be issued as consideration under the Bid will rank equally with the existing AFARF Units currently on issue.

### 4.3 Fund structure

The structure of AFARF can be summarised by the following diagram:



Most investments of AFARF (both in Australia and overseas) are held by Interactive Brokers LLC (**IBL**) or a sub-custodian. However, Aurora directly holds some assets such as cash in its bank accounts and certain securities for administrative purposes.

The terms of engagement of IBL as prime broker and custodian:

- (a) authorise IBL to undertake and/or arrange dealings in investments for AFARF (including entering into derivatives and engaging in short selling);
- (b) provide for assets of AFARF to be held in safe custody by IBL or a sub-custodian appointed by IBL;

<sup>7</sup> Based on AFARF's unaudited management accounts for the 3 months ended 30 September 2017.

- (c) allow IBL to charge such fees and costs as it may notify on its website from time to time;
- (d) generally, limit IBL's liability to loss arising due to its fraud, wilful default or gross negligence;
- (e) grant to IBL a security interest in and continuing lien over AFARF's assets to secure the Aurora's obligations and liabilities to IBL or in relation to the arrangements entered into by IBL on behalf of AFARF; and
- (f) in the case of the prime broking terms, are governed by New York state law, and in the case of the custody terms, are governed by New South Wales law.

Registry Direct has been engaged to provide unit registry services to AFARF, such as maintenance of a copy of the register of holders of AFARF Units (including AFARF's records relating to AFARF Unit ownership and the issue, transfer and redemption of AFARF Units), receipt of redemption requests, and compilation of information for redemption payments.

All of the entities involved in the AFARF fund structure are domiciled in Australia, except for Interactive Brokers LLC which is based in the United States of America. Aurora has no relationship with AFARF's service providers beyond the contractual arrangements under which they provide services to or for AFARF. Aurora monitors the performance of AFARF's service providers periodically in accordance with AFARF's compliance plan. Risks in the structure include counterparty risk and operational and administration risk as noted in section 10.3 and 10.16.

AFARF may make investments in other schemes managed by Aurora. Where this occurs, Aurora's management fees will be charged such that there is no duplication of fees received by Aurora in respect of that investment.

#### **4.4 Responsible entity**

Aurora is the responsible entity and trustee of AFARF.

As responsible entity, Aurora is responsible for overseeing all of the operations of AFARF. In that capacity Aurora also provides investment management services for, and is responsible for selecting and managing the assets of, AFARF.

Aurora is a specialist investment manager that also provides responsible entity and/or trustee services for investors in a number of other managed investment schemes, including:

- (a) Aurora Absolute Return Fund ARSN 110 303 430 (ASX code: ABW)
- (b) Aurora Dividend Income Trust ARSN 151 947 732 (ASX code: AOD)
- (c) Aurora Global Income Trust ARSN 127 692 406 (ASX code: AIB)
- (d) Aurora Property Buy-Write Income Trust ARSN 125 153 648 (ASX code: AUP)
- (e) HHY Fund ARSN 112 579 129 (ASX code: HHY)
- (f) Bear Real Opportunities Fund (an unregistered managed investment scheme)

Aurora differs from most other investment managers because its executives are key stakeholders in Aurora's owner, investing their own money to ensure an alignment of interests with investors in AFARF.

Section 4.41 summarises the trade allocation policy across Aurora's funds and Aurora's website at [www.aurorafunds.com.au](http://www.aurorafunds.com.au) provides further information about Aurora.

#### **4.5 Investment objectives**

The objectives of AFARF are to:

- (a) provide positive returns through capital appreciation and income over the medium to long term;
- (b) produce returns that are independent of equity market movements; and
- (c) preserve the value of investors' capital.

#### 4.6 Investment strategy

AFARF employs an opportunistic value-orientated investment approach, with a focus on situations where Aurora can act as the catalyst to unlock value. Investment opportunities are sourced from internal sources, broker relationships and through other investors that may seek Aurora's assistance to implement an activist strategy at an investee company. AFARF's assets will primarily comprise investments in:

- (a) securities trading at a discount to Aurora's view of intrinsic value; and
- (b) special situations or arbitrage opportunities, including, but not limited to takeovers, mergers and acquisitions, corporate spin-offs, restructurings, liquidations, placements, buy-backs, hybrid securities and rights issues.

When appropriate, Aurora may take an activist approach in relation to investments made, such as proposing changes in areas of corporate governance, capital management, strategic and operational matters and other related issues.

AFARF may invest in a wide range of investments including market quoted equities (e.g. shares, units, options, convertible notes, hybrids and other rights convertible into equity securities), unquoted equities (including those about to be quoted on a securities exchange), derivatives (both exchange traded and over-the-counter), cash and cash equivalents.

AFARF's targeted gross asset allocation range after hedging is:

Asset class	Allocation range (% of gross asset value of AFARF)	Location
Australian equities	0% - 500%	Australia
Australian unquoted equities	0% - 20%	Australia
International equities	0% - 20%	Overseas jurisdictions
Exchange traded derivatives	0% - 100%	Australia and overseas jurisdictions
Over-the-counter derivatives	0% - 20%	Australia and overseas jurisdictions
Cash or cash equivalents	0% - 100%	Australia and overseas jurisdictions

**Liquidity:** AFARF may invest in significant concentrated positions in listed entities that are not an ASX top 200 company, and accordingly their securities may not be highly liquid. In consequence, at the date of this bidder's statement it is not expected that AFARF could realise 80% of its investments within 10 days in the ordinary course. A description of each asset class in which AFARF is invested that has a value of more than 10% of NAV at the date of this bidder's statement and cannot be reasonably expected to be realised at the value ascribed in calculating AFARF's most recent NAV, within 10 days is set out below:

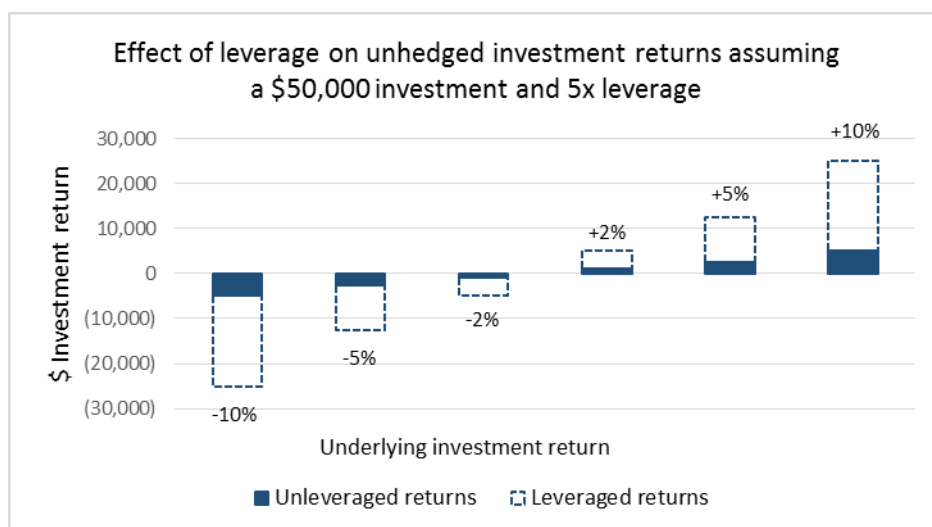
- ASX-listed entities that are not included in the list of the 200 largest entities based on market capitalisation

Aurora actively manages the liquidity requirements of AFARF in a way that aims to allow the investment objectives of AFARF to be achieved whilst also providing AFARF Unit Holders with the ability to access their investment in AFARF when they may wish to do so. Balancing equitably the competing interests of those AFARF Unit Holders who wish to remain invested in AFARF and those seeking to redeem their investment, may involve restricting redemptions from time to time. Accordingly, Aurora has a liquidity management policy covering the adoption of redemption guidelines that aim to achieve this balance. Refer to sections 4.20 to 4.21 for more information about the redemption process, including the current redemption guidelines which impose restrictions on the redemption of AFARF Units.

**Leverage:** AFARF may utilise leverage as part of its investment strategy. Leverage is used in order to allow AFARF to participate in short term opportunities that provide attractive risk-return propositions. The maximum targeted leverage position of AFARF in Australian equities is 500% of AFARF's gross asset value. This means that, subject to other investment restrictions, for every \$1 of gross asset value, AFARF may leverage its investment in Australian equities by a further \$4.

Leverage may be obtained through derivatives and short selling securities (see below). Leverage may also be obtained by borrowing money to buy investments. AFARF obtains leverage principally through its prime broker, entering into derivative contracts or undertaking short selling on behalf of AFARF. In order to undertake such leveraged transactions, AFARF is generally required to provide collateral in the form of a security interest in AFARF's assets in favour of the prime broker (who is also AFARF's custodian). Any assets held as collateral will not be segregated from the prime broker's own assets, and the prime broker will generally have the right to lend, pledge and hypothecate these assets to, or in favour of, others.

In the normal course of events (on an un-hedged basis), leverage magnifies returns (both positive and negative) from the value of an investment relative to a comparable unleveraged investment. The following chart illustrates the notional gain or loss on a notional un-hedged investment of \$50,000 geared to the maximum of 500% where the value of the underlying investment rises or falls by 2%, 5% or 10%. This is an example only and it does not represent a forecast or actual returns.



**Derivatives:** Derivatives may be used for risk management or to create new investment exposures, and can be either over-the-counter or exchange traded. AFARF may use multiple derivative counterparties and all counterparties must be of investment grade at the time of trading. AFARF primarily deals in derivatives through exchange traded futures and options, and (should they be used) over-the-counter derivatives will be limited to currency futures to hedge currency risks within the portfolio. All derivatives are backed by collateral which may be cash or other assets of AFARF. The collateral for exchange traded derivatives is held by a third party central clearing facility. However, collateral for the over-the-counter derivative position (if any) is held directly by the derivative counterparty and is not segregated from the counterparty's own assets. As such, in the event of a counterparty becoming insolvent, AFARF may not be able to recover its collateral.

**Short selling:** Short selling of securities may occur for risk management or to generate additional returns. Short selling is achieved by borrowing securities from a third party and selling them. By this, AFARF attempts to profit from a decrease in the value of the securities. The difference between the higher sale price and lower purchase price is a profit (provided all the costs associated with the transaction are also recouped). However, if the subsequent purchase price is higher than the initial short selling price then a loss will be incurred equal to the amount by which the purchase price exceeds the short selling price (plus any associated transaction costs). The use of short selling enables AFARF to balance the directional exposure of the portfolio in order to adopt a more market neutral bias. Short selling can nevertheless add to the effective leverage of AFARF. This is because some of the cash that is realised from short selling a borrowed security is available to buy other securities. Short selling can also involve a greater risk than holding a long position in that, in theory, losses incurred through short selling can be unlimited as the cost of covering a short position is not necessarily capped.

See sections 10.6, 10.4 and 10.9 for more information about the risks for AFARF due to leverage, derivatives trading and short selling, and how they can be managed.

#### 4.7 Portfolio management guidelines

The portfolio management guidelines of AFARF are as follows:

Portfolio construction	Guideline
Number of companies and other investees in which AFARF invests	10-25
Largest single long position	100% of NAV (on cost basis)
Largest single short position	50% of NAV (on cost basis)
Maximum long/short mix (single investment)	250% of NAV long with a corresponding 250% short position

AFARF has the flexibility to take substantial positions in individual securities. This may reduce the diversity of AFARF and therefore increase the exposure to falls in the market price of any one investment. Aurora has a wide discretion over the investments that may be held by AFARF and may sometimes invest in situations that may be considered distressed and/or illiquid. Aurora may also make investments in any other securities it considers offer an appropriate risk/return profile.

#### 4.8 AFARF's current investment portfolio

As at 30 September 2017, AFARF's investment portfolio was comprised of the following asset classes:

Asset class	Approximate % of gross asset value of AFARF	Location	Approximate gross asset value of AFARF
Australian equities (long)	96.9%	Australia	\$13.1 million
Australian equities (short)	(1.4%)	Australia	(\$0.2 million)
Australian unquoted equities	0%	Australia	\$0
International equities	0%	Overseas jurisdictions	\$0
Exchange traded derivatives	0.1%	Australia	\$0
Over-the-counter derivatives	0%	Australia and overseas jurisdictions	\$0
Cash or cash equivalents	4.4%	Australia	\$0.6 million
<b>Total</b>			<b>\$13.5 million</b>

#### 4.9 Recent financial position and performance of AFARF

The following is a summary of the recent financial position and performance of AFARF:

- Net Asset Value of AFARF as at 30 June 2017 was \$13,928,245 (compared to \$60,507,719 as at 30 June 2016 — primarily due to redemptions).
- AFARF derived an operating loss before finance costs attributable to AFARF Unit Holders of \$2,451,285 for the financial year ended 30 June 2017 (compared to a loss of \$4,606,417 for the financial year ended 30 June 2016).
- Distributions paid or payable on AFARF Units in respect of the financial year ended 30 June 2017 were \$821,980 (compared with \$2,908,825 for the financial year ended 30 June 2016).



#### 4.10 Historical AFARF Unit prices and distributions

- (a) The following table sets out the NAV per AFARF Unit<sup>8</sup> as at the end of each calendar quarter in the period 1 January 2014 to 30 September 2017:

Calendar quarter ended	2014	2015	2016	2017
31 March	\$0.9265	\$0.8562	\$0.8244	\$0.7263
30 June	\$0.9003	\$0.8450	\$0.7482	\$0.6223
30 September	\$0.8895	\$0.8579	\$0.7324	\$0.6243
31 December	\$0.8539	\$0.8329	\$0.7362	—

- (b) The following table sets out the distributions paid on an AFARF Unit for each calendar quarter in the period 1 January 2014 to 30 September 2017:

Calendar quarter ended	2014	2015	2016	2017
31 March	\$0.0139	\$0.0085	\$0.0085	\$0.0074
30 June	\$0.0253	\$0.0183	\$0.0091	\$0.0073
30 September	\$0.0135	\$0.0086	\$0.0075	\$0.0062
31 December	\$0.0298	\$0.0239	\$0.0073	—

Aurora has been responsible for the management of AFARF under the control of its current owners only since 1 July 2016 and past performance is not a reliable indication of future performance.

#### 4.11 Minimum suggested investment timeframe and suitability

The suggested minimum timeframe for an investment in AFARF is 5 years. AFARF is more suited to long term investors seeking a return from investing in Australian equities over at least a 5 year period.

#### 4.12 Risk level

An investment in AFARF is moderate to high risk. There is a risk that investors may lose some or all of their investment.

#### 4.13 Benchmark

Aurora uses the RBA cash rate as a benchmark against which to compare AFARF's performance. See [www.rba.gov.au](http://www.rba.gov.au) for information about this rate.

Aurora measures AFARF's performance by comparing the percentage by which the NAV per AFARF Unit actually changes over a period with the RBA cash rate for the same period. Currently, the period is monthly and Aurora publishes AFARF's performance against this benchmark in its monthly portfolio update for AFARF available on its website ([www.aurorafunds.com.au](http://www.aurorafunds.com.au)).

#### 4.14 Valuation

The assets of AFARF are valued, and AFARF's liabilities are determined, as at the last Business Day of every calendar month in accordance with Aurora's valuation policy for the purpose of determining AFARF Unit price summarised in section 4.24. The assets of AFARF (whether held by the custodian or a sub-custodian or directly by Aurora) are typically rights and interests in equities, derivatives, cash and cash equivalents most of which are 'located' in Australia or governed by Australian law, and the acquisition cost of which is denominated in Australian currency.

As noted in section 4.24, where AFARF invests in securities through a securities exchange (which is typically the case), their value will generally be based on the latest available closing sale price on the relevant exchange. In the event that AFARF invests in equities or derivatives that are not exchange traded, an independent valuation service provider will be engaged to value the assets.

<sup>8</sup> These figures are based on AFARF's unaudited management accounts for the relevant period, except for the figures as at 30 June which are based on AFARF's audited financial statements for the financial year ended on that date.

#### 4.15 Directors and management of Aurora

Set out below are brief profiles of the current directors and management of Aurora who are involved in the administration and operation of AFARF.

<p><b>John Patton</b> B Ec, ACA  <i>Managing Director</i></p>	<p>John Patton joined Aurora in July 2016 as Managing Director. He was previously a partner with Ernst &amp; Young in the Transactions Advisory Services division and, prior to that, was the Chief Financial Officer of the Hastings Diversified Utilities Fund.</p> <p>With over 30 years of professional services and industry experience, Mr Patton has extensive corporate finance credentials, being involved in over 150 corporate transactions, including mergers and acquisitions (lead advisory), structuring, debt and equity raisings, initial public offers, management buy-outs, valuations (including independent expert reports), due diligence, financial modelling, restructure and corporate advisory.</p>
<p><b>Betty Poon</b> B Bus Accounting, CA  <i>Executive Director, Chief Financial Officer</i></p>	<p>Betty Poon joined Aurora as Chief Financial Officer in April 2013. She brings over 20 years of financial management experience and expertise to the company, with over 15 years of those in financial services.</p> <p>Prior to joining Aurora, Ms Poon held a number of senior finance roles at ANZ/OnePath, JP Morgan, Aviva Investors and Pitcher Partners. Her responsibilities included providing executives with timely and accurate financial information, ongoing cash flow projections, oversight over accounting and finance operations, as well as design and maintenance of the financial reporting and internal control framework.</p>
<p><b>Jeffrey Schwarz</b> B Ec, MBA  <i>Independent Director</i></p>	<p>Jeffrey E Schwarz was the co-founder of Metropolitan Capital Advisors, Inc., a New York-based money management firm and has served as its Chief Investment Officer from the firm's inception in 1992 until 2012.</p> <p>Jeffrey serves as the Co-Chairman of the Board of Bogen Corporation, a telecommunications equipment provider (formerly publicly traded, now privately held). He is also the Co-Chairman of the Board of Bogen Communications International Inc., which is the ultimate corporate parent of Speech Design GmbH, a global provider of messaging services to telecommunications carriers.</p> <p>Jeffrey previously served as the Chairman of the Board of Molopo and as a member of the Board of Directors of Cyberonics Inc., a NASDAQ-listed medical device company.</p>
<p><b>Ben Norman</b> B Bus (Acc), BBus (Banking &amp; Finance), CA, ARITA  <i>Chief Operating Officer</i></p>	<p>Ben Norman is a qualified Chartered Accountant, with over 16 years of professional and industry experience. Prior to joining Aurora, Ben was a Director in global advisory firm Ernst &amp; Young's Transaction Advisory Services practice, where he spent over 9 years and was involved in numerous due diligence, performance improvement, restructuring, turnaround, financial modelling and transaction integration engagements working with clients in all industry sectors.</p> <p>Prior to joining Ernst &amp; Young, Ben held a senior finance position with gas transmission business Epic Energy (which was owned by an ASX-listed fund backed by Westpac Banking Corporation), and worked in taxation and advisory services at an accounting firm that later merged with PwC.</p>



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<b>Victor Siciliano</b>	Victor Siciliano joined Aurora as a Portfolio Manager in July 2016.
B Bus (Banking & Finance), Master of Applied Finance (Investment Management)	Victor has circa 10 years' equity market experience, most recently as portfolio manager of the HHY Fund at Keybridge Capital Limited. Prior to this, Victor worked as an assistant portfolio manager at boutique fund manager Sterling Equity, as well as an investment advisor at Macquarie Group.
<i>Investment Manager</i>	In these roles Victor was responsible for undertaking detailed company analysis on Australian and international listed companies, implementing investment strategies and making investment decisions.

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Victor Siciliano and John Patton are the key individuals involved in investment management for AFARF, and spend as much time as is required to manage AFARF's investment strategy.

#### 4.16 Adverse regulatory findings

Aurora has had the following adverse regulatory findings:

- (a) In November 2014, Aurora entered into an enforceable undertaking (**EU**) with ASIC concerning on market acquisitions and redemptions in its listed funds. The EU arose because ASIC considered that Aurora had not complied with certain substantial holder disclosures. The EU places some restrictions on Aurora from acquiring or disposing of units in those funds on market.
- (b) In June 2017, the Australian Takeovers Panel (**Panel**) made a declaration of unacceptable circumstances in relation to the acquisition of shares in Molopo by AFARF and another fund that Aurora acts as responsible entity for (**Aurora Funds**). The Panel considered that Aurora was an associate of another Molopo Shareholder, Keybridge Capital Limited, and had contravened sections 606 and 671B of the Corporations Act. The Panel also considered that an unacceptable control effect in Molopo had arisen in part due to actions by Mr John Patton, his influence over Aurora and to an extent over Keybridge Capital Limited and other factors. The Panel required that Molopo Shares held by the Aurora Funds be vested in the Commonwealth of Australia for sale by ASIC as its agent, with the sale proceeds remitted to the Aurora Funds. The Panel also ordered that Aurora and its associates may not acquire any of those Molopo Shares and, further, may not acquire any other Molopo Shares before 7 January 2018. As Aurora denies it is associated with Keybridge Capital Limited in relation to the affairs of Molopo, Aurora has applied to the Federal Court of Australia for a judicial review of the Panel's decision. At the date of this bidder's statement, the Federal Court has not decided the outcome of Aurora's application.

#### 4.17 Fees and others costs

Consumer advisory warning

**DID YOU KNOW?**

**Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.**

**For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000).**

**You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.**

**You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.**

**TO FIND OUT MORE**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged as an investor in AFARF. These fees and costs may be deducted from your money (i.e. your investment in AFARF), from the returns on your investment or from the assets of AFARF as a whole. Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
<b>Fees when money moves in or out of the Fund</b>		
<i>Establishment fee</i> The fee to open your investment	Nil	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Nil	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Nil	Not applicable
<i>Exit fee</i> The fee to close your investment	Nil	Not applicable
<b>Management costs</b>		
<i>The fees and costs for managing your investment</i>	5.18973% pa (inclusive of GST) of NAV comprising: <b>Management fee</b> 1.48625% pa (inclusive of GST) of NAV PLUS <b>Estimate of reimbursable expenses<sup>1</sup></b> 3.36965% pa (inclusive of GST) of NAV PLUS <b>Estimate of indirect costs<sup>2</sup></b> 0.33383% pa (inclusive of GST) of NAV <b>Estimate of performance fee<sup>3</sup></b> 0.0% p.a. (inclusive of GST) of NAV	<b>Management fee</b> is accrued daily and paid monthly in arrears out of Fund assets <b>Reimbursable expenses</b> are deducted from Fund assets when due and payable <b>Indirect costs</b> apply within AFARF's investments that reduce returns. They are not paid out of Fund assets <b>Performance fee</b> is accrued daily, and assessed and paid half yearly. The fee is paid out of, and the accrual reduces, AFARF's assets

Type of fee or cost	Amount	How and when paid
<b>Service fees</b>		
<i>Switching fee</i> The fee for changing investment options	Nil	Not applicable

1. This estimate is based on the normally incurred reimbursable expenses that Aurora, at the date of this bidder's statement, expects will apply. It does not include any extraordinary expenses. For more information about reimbursable expenses, see the additional explanation of fees and costs starting on page 25.
2. This estimate is based on the indirect costs incurred within AFARF's investments that reduce returns that Aurora, at the date of this bidder's statement, expects will apply for the current financial year. For more information about indirect costs, see the additional explanation of fees and costs on page 25.
3. This estimate is based on historic issues that has caused performance of AFARF to be negative compared to the benchmark. Accordingly, no performance fee is currently expected to be paid. For more information about the performance fee, see the additional explanation of fees and costs on page 25.

### Example of annual fees and costs

This table gives an example of how fees and costs in AFARF can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE		BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees <sup>1</sup>	0%	For every additional \$5,000 you put in, you will be charged \$0
<b>PLUS</b> Management Costs <sup>2</sup>	5.18973%pa	<b>And</b> , for every \$50,000 you have in AFARF you will be charged \$2,594.87 each year
<b>EQUALS</b> Cost of investment <sup>3</sup>		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of: \$2,594.87* <b>What it costs you will depend on the fees you negotiate</b>

\*Additional fees may apply:

**Establishment fee<sup>4</sup> – \$0**

**And**, if you leave AFARF early, you may also be charged exit fees of \$0

1. See note 3(a) below.
2. This is an estimate. A breakdown of the fees and costs comprised in this estimate is provided in the previous table. See also notes 3(b) to (d) below.
3. This cost of investment has been calculated on the basis that the additional \$5,000 is contributed at the end of the year. The cost does not include the buy-sell spread — see the additional explanation of fees and costs later in this section 4.17 for more information about the buy-sell spread. Further, the cost assumes that the estimated fees and costs noted in the previous table will continue to apply, no additional fees are charged and fees are not individually negotiated with Aurora. AFARF's constitution allows Aurora as responsible entity to charge the following:
  - (a) A contribution/application fee of up to 5.125% (inclusive of GST) of the proceeds subscribed for AFARF Units under an application accepted by the responsible entity. This fee is not currently charged, but if it were, on application money of \$50,000 this fee would be up to \$2,562.50 and up to \$256.25 for each additional \$5,000 of application money.
  - (b) A management fee of up to 5.125% pa (inclusive of GST) of the total value of assets (i.e. gross value) of AFARF. The management fee currently charged is 1.48625% pa (inclusive of GST) of NAV, but if the maximum fee were charged, on an investment of \$50,000 the fee would equate to \$2,562.50 each year.
  - (c) A time cost fee for work required to be undertaken by Aurora as responsible entity outside the ordinary day-to-day trustee and management obligations at the rate of \$236 per hour (inclusive of GST) (as may be adjusted to reflect increases in the consumer price index from 24 October 2017) of time spent by an employee or agent of the responsible entity on the work. This fee is not currently charged.
  - (d) A performance fee of up to 30.75% (inclusive of GST) of the amount by which increases in the NAV of AFARF outperform the benchmark over a 6 month period ending 30 June or 31 December. Aurora was not entitled to any performance fees for the previous financial year ended 30 June 2017 and does not expect to be entitled to any performance fees for the current financial year due to historic negative performance of AFARF. However, if Aurora does become entitled to a performance fee, it intends to charge a performance fee rate of just 20.5% (inclusive of GST) of the outperformance — see the additional explanation of fees and costs later in this section 4.17 for more information about the performance fee.
  - (e) A withdrawal fee of up to 3.075% (inclusive of GST) of each withdrawal amount. The fee is not currently charged, but if it were, on withdrawal of an amount of \$50,000 the withdrawal fee would be up to \$1,537.50 and up to \$153.75 for each additional \$5,000 of withdrawal amount.
4. See note 3(a) above.
5. See note 3(e) above.

## Additional explanation of fees and costs

**Management costs:** Management costs for AFARF incorporate all relevant ongoing fees and other costs involved in managing AFARF and deriving investment returns. The management costs comprise the responsible entity's management fee, reimbursable expenses and indirect costs, as well as any time cost fee or performance fee. They are not paid directly from an investor's investment, however, the management fee and reimbursable expenses (as well as any time cost fee or performance fee) are paid out of the assets of AFARF, and they and the indirect costs reduce or are factored into NAV and are reflected in the AFARF Unit price.

**Reimbursable expenses:** AFARF's constitution allows all expenses incurred by the responsible entity in relation to the proper performance of its duties in respect of AFARF to be recovered from the assets of AFARF and does not place any limit on the amount or type of expenses that can be recovered. Reimbursable expenses include fund and manager establishment, promotion (including offer documents, advertising and promotional material and printing), licensing, custodian, registry, insurance, listing, audit, external consultants, accounts, stationery, postage and termination costs as well as compliance and compliance committee costs, AFARF Unit Holder meetings, legal proceedings and such other expenses as the terms of the issue may contemplate from time to time. Reimbursable expenses vary from year to year, and for the financial year ended on 30 June 2017 were in aggregate 2.50996% (inclusive of GST) of the average NAV of AFARF for that year. At the date of this bidder's statement, reimbursable expenses for the current financial year (i.e. ending on 30 June 2018) are estimated to be 3.36965% (inclusive of GST) of the current NAV of AFARF. This estimate of reimbursable expenses is included in the management costs set out in the tables above.

**Indirect costs:** Indirect costs include any amounts not already disclosed as a management cost that Aurora knows, reasonably ought to know or, where this is not the case, may reasonably estimate will directly or indirectly reduce the return on AFARF Units. For example, indirect costs may include:

- (a) management fees or costs incurred in certain investment funds and companies in which AFARF has invested, e.g. where managers of the underlying funds charge their own management costs and these are deducted from the underlying funds and reduce the unit price of the underlying funds; and
- (b) costs of trading in certain types of derivative financial products which are not traded or quoted on a recognised exchange and/or not used for hedging purposes but rather to gain or reduce market exposure, e.g. derivatives such as over-the-counter options and swap arrangements. AFARF does not currently engage in this kind of derivative trading.

At the date of this bidder's statement, indirect costs for the current financial year are estimated to be 0.33383% of the current NAV of AFARF, having regard to the construction of AFARF's investment portfolio, Aurora's estimate of the management costs of any such investment fund or company for the previous financial year based on the published audited or reviewed financial information for the investment fund or company, and Aurora's view of the likely construction of the investment portfolio based on AFARF's investment strategy. This estimate is included in the management costs set out in the tables above.

Indirect costs are dependent upon a number of factors, including the extent to which and for how long AFARF is invested in another relevant investment fund or company, and may change from year to year. Actual indirect costs for the current financial year or future periods may be higher or lower than the currently estimated indirect costs.

Indirect costs attributable to the management costs of a listed investment fund or company in which AFARF invests should be reflected in the market price of the securities of the entity and, as such, will be factored into NAV and reflected in the AFARF Unit price. AFARF Unit Holders are not separately charged these costs.

**Performance fee:** Under AFARF's constitution, the responsible entity is entitled to receive a performance fee of up to 30.75% (inclusive of GST) of the amount by which the increase in the Net Asset Value of AFARF exceeds the benchmark performance during the relevant performance period. However, Aurora intends to charge a performance fee of only 20.5% (inclusive of GST) of AFARF's outperformance of the benchmark (if any). Accordingly, the performance fee will be calculated and accrued daily as follows:

Performance fee =  $(FP - BP) \times 20.5\%$  (inclusive of GST)

where:

**FP** = CV – OV

**BP** = B x OV

**CV** = the Net Asset Value of AFARF at the close of the day (after other fees and expenses have been accrued but before the accrued performance fee)

**OV** = the Net Asset Value of AFARF at the opening of the day (pre-performance fee accrued Net Asset Value of AFARF but post-paid performance fee)

**B** = the percentage return of the RBA cash rate (or its replacement or another benchmark that the responsible entity considers to be appropriate) at the commencement of the day. See [www.rba.gov.au](http://www.rba.gov.au) for information about the RBA cash rate.

The performance period is any period of 6 months ending on 30 June or 31 December, subject to adjustment where the responsible entity is replaced or AFARF is terminated.

Aurora is not required to reimburse AFARF or AFARF Unit Holders for the amount of any negative performance fee accrual over a performance fee period, including on termination of AFARF.

Aurora's entitlement to a performance fee for a performance period is subject to the Net Asset Value of AFARF at the end of the period exceeding the high water mark. Under the constitution, the high water mark is the Net Asset Value of AFARF at the end of the preceding performance period (adjusted for subsequent applications, redemptions and distributions). However, Aurora intends only to charge a performance fee once the negative performance for past periods where Aurora was responsible for the management of AFARF under the control of its current owners has been recouped in full. That is, Aurora intends to set the high water mark for the purposes of determining its entitlement to any future performance fee under AFARF's constitution as the highest Net Asset Value of AFARF at the end of any performance period (adjusted for subsequent applications, redemptions and distributions) since 1 July 2016.

Any accrued performance fee will be payable as at 1 January and 1 July out of the assets of AFARF (in the same way as the ongoing management fee is paid).

**Expected performance fee:** A performance fee is not currently expected to be paid as Aurora has decided that it will not be entitled to a performance fee until the negative performance of AFARF compared to the benchmark performance since 1 July 2016 has been recouped. Once the Net Asset Value of AFARF (adjusted for subsequent applications, redemptions and distributions) has been restored to off-set the resultant losses to AFARF such that a performance fee becomes payable, Aurora will provide an update on its website.

**Receipt of non-cash benefits:** Aurora may receive non-cash benefits in connection with AFARF, such as research and promotional activities from stock brokers through whom investment transactions are carried out. However, Aurora will only use stock brokers and other service providers for AFARF transactions where Aurora is satisfied that the services are consistent with the best available services in the market for equivalent rates.

**Can fees be different for different investors?:** Aurora may negotiate lower fees (for example, by rebating or waiving some or all fees) for wholesale clients (as defined by the Corporations Act), to the extent that the Corporations Act and any applicable ASIC class order relief allows Aurora to do so. Aurora is not able to negotiate lower fees for retail clients. If you are a wholesale client, you may contact Aurora's chief operating officer on 1300 553 431 to negotiate a fee.

**Indirect investors:** If you are an indirect investor in AFARF (e.g. via an IDPS) you will need to consider the fees and other costs of the IDPS (or any other similar arrangement) when calculating the total cost of your investment.

**Tax:** Refer to section 9.5 for an explanation of the income and capital gains tax ramifications of investing in AFARF for Australian resident investors.



**GST:** Unless otherwise noted, all fees and costs specified in this section 4.17 are GST inclusive net of any reduced input tax credits. GST is additionally incurred net of any reduced input tax credits. Services supplied to AFARF are generally taxable supplies for GST purposes and will therefore usually include a GST component (being 1/11th of the total amount charged for the services). Generally, AFARF cannot claim full input tax credits for these services but is usually entitled to a reduced input tax credit equal to 55%-75% of the GST component included in the charges for those services.

**Buy-sell spread:** The buy-sell spread reflects the estimated transaction costs associated with buying and selling the assets of AFARF when investors invest in or withdraw from AFARF. The buy-sell spread is an additional cost to the investor but it is included in the AFARF Unit price and is not charged separately to the investor. The buy-sell spread that is currently applied to calculate AFARF Unit price is 0.02%. The buy-sell spread may change without notice. The buy-sell spread on a \$50,000 investment or redemption is \$10. No buy-sell spread will apply to the issue of AFARF Units as Bid consideration.

**Securities borrowing costs:** AFARF may borrow securities within the investment strategy, and will pay fees on these securities borrowings (if any) at a rate which is subject to change without notice. Securities borrowing costs are not included in the management fee. They are reimbursable expenses payable out of AFARF's assets. Aurora is not able to estimate these costs.

**Can the fees change?:** Yes, all fees can change. Generally, AFARF's constitution provides for the maximum fees that Aurora can charge. Footnote 3 to the table containing an example of fees and costs earlier in this section 4.17 summarises all of the fees (and limits) that Aurora can charge under AFARF's constitution. If Aurora makes a change that increases (or might result in an increase) in any fees or charges (e.g. increasing the management fee or performance fee rate currently charged, resetting the high water mark for the performance fee calculation or imposing a fee not currently charged), Aurora will give at least 30 days' notice before the change takes effect. To change fees above levels allowed by the constitution would need the approval of AFARF Unit Holders.

#### 4.18 Making an additional investment in AFARF

Investors who want to acquire additional AFARF Units may do so by obtaining a copy of the AFARF PDS and accompanying application form, and completing the application process in accordance with the instructions set out in the PDS and form.

The PDS and application form are available through Aurora's website at [www.aurorafunds.com.au](http://www.aurorafunds.com.au).

Alternatively, an additional investment in AFARF may be made indirectly through an IDPS (i.e. by acquiring interests in the IDPS that invests in AFARF Units). In this case, the documentation required by the IDPS operator in order to make the investment would need to be completed.

#### 4.19 Cooling off rights

Under the Corporations Act, cooling off rights are available in some circumstances to retail clients who acquire certain managed investment products, which allow the investor to change his or her investment decision and ask for the initial investment to be returned (after adjusting for transaction costs and any market movement since the initial investment).

However, Molopo Shareholders who accept the Offer will not have any cooling off rights in relation to any AFARF Units issued to them as Bid consideration.

#### 4.20 Redemptions

Holders of AFARF Units may request redemption of their investment through completing a redemption request form for AFARF (available on Aurora's website at [www.aurorafunds.com.au](http://www.aurorafunds.com.au) or by calling Aurora on 1300 553 431) and sending it to Aurora, in accordance with the instructions set out on the form.

The amount withdrawn will be remitted directly into your nominated account by electronic funds transfer. A cheque can be sent to you (the investor) upon request, although this process usually takes longer than direct debiting. Aurora does not issue third party cheques.

Following a receipt of a request for withdrawal, and provided no redemption limitations or suspensions are in force (see section 4.21), Aurora will endeavour to pay the amount you request to be withdrawn within 10 days following the end of the calendar month in which your redemption request form is received. The withdrawal will be processed at the withdrawal price based on the NAV as at the end of the last Business Day of that calendar month. This is subject to the redemption request form being received before 12 noon on the last Business Day of the calendar month (or such other AFARF Unit pricing cut-off time determined by Aurora). Where a redemption request is received after this time, it will be taken to have been received in the next calendar month.

Investors that have invested through an IDPS can only make withdrawals against their IDPS operator, and not against AFARF, and will need to contact their financial adviser or IDPS operator to obtain additional information in relation to redemptions. Withdrawals from an IDPS may be limited or suspended in the same way that withdrawals of direct investments in AFARF can be (see below).

#### **4.21 Limiting or suspending redemptions**

Aurora has a broad discretion in relation to accepting and processing redemption requests including restricting (or 'scaling back') the quantum of total AFARF Unit redemption requests that are accepted and paid during a period. Redemption limits may apply in circumstances where outstanding redemptions exceed 10% of the Net Asset Value of AFARF, paying redemption requests would impact on AFARF's ability to execute on an investment strategy or Aurora believes it is in the best interests of investors to do so.

As a result, Aurora has a liquidity management policy covering the adoption of redemption guidelines that aim to achieve an equitable balance between the competing interests of those AFARF Unit Holders who wish to remain invested in AFARF and those seeking to redeem their investment. Where redemption restrictions apply, the redemption guidelines will be posted on Aurora's website ([www.aurorafunds.com.au](http://www.aurorafunds.com.au)). Because it is not possible to identify the quantum of redemption requests prior to them being received, Aurora may change existing redemption guidelines, or adopt new ones, that will apply to a redemption request already submitted (but not accepted). Aurora may change the guidelines, or adopt new ones, (either restricting or relaxing liquidity measures) at any time, depending on the circumstances of AFARF.

At the date of this bidder's statement, redemption guidelines have been adopted that provide for:

- (a) calendar quarterly consideration and processing of redemption requests at a redemption price based on the NAV per AFARF Unit on the last Business Day of the quarter in which the requests are received;
- (b) proportionate scale back of redemption requests where the aggregate amount sought to be withdrawn in any given calendar quarter exceeds 5% of the total funds under management in AFARF; and
- (c) carry over of unsatisfied redemption requests to the next calendar quarter for consideration, as though they were fresh redemptions requests made in that quarter.

As at 30 September 2017, there were outstanding redemption requests received by Aurora for 7,177,693 AFARF Units, representing \$4,480,315 in outstanding redemption payments (based on the then prevailing redemption price) and approximately 35% of the total number of AFARF Units on issue as at that date (excluding the AFARF Units to be redeemed under redemption requests for the quarter in accordance with the redemption guidelines).

Aurora may also suspend or limit redemption requests where:

- (a) circumstances outside its control, in its opinion, adversely affect its ability to properly or fairly calculate AFARF Unit price (e.g. if the assets or relevant currencies are subject to restrictions or if there is material market uncertainty);
- (b) in its opinion (acting reasonably) there is an emergency or other state of affairs which makes it impractical to redeem AFARF Units or may prejudice the remaining investors;
- (c) there is a declaration of a moratorium, or restrictions on trading in a relevant foreign exchange market, in a country in which AFARF has investments;

- (d) AFARF assets cannot be disposed of or withdrawn;
- (e) AFARF's cash reserves fall and remain below 5% for 10 consecutive Business Days or there is insufficient cash reserves available to meet redemptions and pay the operating expenses of AFARF; or
- (f) the law permits AFARF's responsible entity to do so.

#### **4.22 Redemptions while AFARF is not liquid**

Under the Corporations Act, a scheme is liquid if the scheme's liquid assets account for at least 80% of the value of scheme property. Liquid assets include cash, cash equivalents and marketable securities that can reasonably be expected to be realised within the period specified in the scheme constitution for satisfying withdrawal requests. Under AFARF's constitution, redemptions of Units may be suspended for such period as Aurora considers appropriate in all the circumstances. On this basis, AFARF is currently liquid and is likely to remain so.

However, were AFARF ever not liquid, an AFARF Unit Holder may only withdraw when Aurora makes a redemption offer to investors in accordance with the Corporations Act, and Aurora is not obliged to make a redemption offer.

#### **4.23 Compulsory redemption**

Aurora can compulsorily redeem AFARF Units:

- (a) if the AFARF Unit Holder has breached its obligations to Aurora as responsible entity of AFARF;
- (b) to satisfy any amount owing by the AFARF Unit Holder or by Aurora as responsible entity that relates to the AFARF Unit Holder;
- (c) if AFARF's constitution otherwise allows (e.g. where a minimum holding is or will be breached);
- (d) where Aurora suspects that the law prohibits the AFARF Unit Holder from legally being an AFARF Unit Holder;
- (e) to satisfy Aurora's obligations as responsible entity of AFARF under the anti-money laundering and counter-terrorism financing legislation and rules; or
- (f) in such other circumstances as Aurora determines in its absolute discretion.

#### **4.24 Unit price**

The price or value of an AFARF Unit at a particular time is based on NAV divided by the total number of AFARF Units on issue i.e. NAV per AFARF Unit. NAV is the value of all assets of AFARF (but not application money or property in respect of which Units have not yet been issued, proceeds of redemption which have not yet been paid or an amount in a distribution account), less all present liabilities of AFARF including any provision which Aurora decides should be taken into account in determining the liabilities of AFARF. Where unit price is to be calculated for a class of AFARF Units, the calculation is based on the proportion of NAV that Aurora determines is properly referable to the class divided by the total number of AFARF Units on issue in that class. When calculating NAV Aurora must use the most recent valuations of AFARF's assets and the most recent determination of its liabilities.

Aurora may value AFARF assets at any time it chooses, including more than once on each day if appropriate having regard to the nature of the assets. Aurora may also choose the valuation methodology having regard to the nature of the assets. Accordingly, Aurora has adopted the following policy for the purposes of determining unit price/NAV per AFARF Unit:

- (a) The value of AFARF's assets and liabilities are to be determined as at the last Business Day of every calendar month.
- (b) AFARF typically invests in exchange traded securities that are generally valued at the latest available closing sale price.
- (c) Securities which are suspended from quotation will generally be priced at the last trade price or at zero, unless an alternate determination is made based on market events.



As at the date of this bidder's statement, AFARF has a direct investment in Molopo Shares representing approximately 1.46% of the Molopo Shares currently on issue. Additionally, as noted in section 4.16(b), Molopo Shares held on behalf of AFARF have been vested in the Commonwealth of Australia for sale by ASIC, with the net proceeds of sale to be remitted to AFARF. These divested Molopo Shares represent approximately 11.33% of the Molopo Shares currently on issue. After careful consideration of the available information, including trading in Molopo Shares on ASX during July 2017 (prior to Molopo Shares being suspended from quotation), and the range of possible values for a Molopo Share, Aurora determined the fair value of a Molopo Share to be \$0.135 as at 30 June 2017 for the purposes of determining the value of AFARF's investment in Molopo (as disclosed in its audited annual financial statements for the year ended 30 June 2017), which is consistent with the Bid price per Molopo Share. At the date of this bidder's statement, Aurora has not changed the value of AFARF's investment in Molopo.

The price of AFARF Units on application/issue (**application price**) and the price of AFARF Units on withdrawal/redemption (**redemption price**) is based on the NAV per AFARF Unit adjusted for the buy-sell spread (see section 4.25). Additionally, under AFARF's constitution, the application price and redemption price may be rounded up or down by 1% or 1 cent, as Aurora chooses.

Aurora has adopted an AFARF Unit pricing discretion policy. The AFARF Unit pricing discretion policy sets out, among other things, the principles Aurora will adhere to when exercising the discretions provided to it under AFARF's constitution in relation to calculating AFARF Unit-related prices.

AFARF Units to be provided as Bid consideration to Molopo Shareholders who accept the Offer will be issued at NAV per AFARF Unit as at the last Business Day of the month following the date on which the takeover contract resulting from acceptance of the Offer becomes unconditional, subject to rounding to ensure a whole number of AFARF Units are issued. There will be no adjustment for any buy-sell spread.

#### **4.25 Buy-sell spread**

The buy-sell spread aims to ensure that other investors do not pay the costs associated with an investor entering or exiting AFARF. The buy-sell spread is not a fee paid to Aurora. It is retained in AFARF to cover costs associated with buying and selling AFARF's investments.

The buy-sell spread is currently 0.02% of the investment or withdrawal amount (as the case may be) and is the cost charged to enter AFARF (acquire units) and exit AFARF (redeem units). For example, if an investor makes a \$50,000 investment or withdrawal from AFARF, the buy-sell spread of 0.02% of the investment/withdrawal amount will be added to Net Asset Value per unit to determine the AFARF Unit application price and will be deducted from Net Asset Value per unit to determine the AFARF Unit redemption price, which is equal to a transaction cost of \$10. Aurora may change the buy-sell spread at any time.

As noted in section 4.24, no buy-sell spread will apply to the issue of AFARF Units as Bid consideration.

#### **4.26 Distribution policy**

Aurora intends to make quarterly cash distributions of 1.0% of the NAV per AFARF Unit plus available franking credits within 30 days following the end of each quarter. If AFARF's net income and realised capital gains less expenses for a financial year exceed the periodic cash distributions for the year, the cash distribution for the final quarter may include some or all of the excess. Should AFARF not generate sufficient net income to cover the cash distributions in a financial year, then part or all of any distribution may be a return of capital, or Aurora may elect not to pay a distribution. The final cash distribution for a financial year may, therefore, take longer to finalise and pay than 30 days from the end of the financial year due to these additional considerations, as well as the end of year audit requirements.

The AFARF Unit price generally falls by the amount of any distribution immediately after the date for determining entitlements to the distribution. If you invest just prior to a distribution entitlement date then that distribution may effectively represent a return of your investment. Depending on your circumstances, this may have certain tax implications and Aurora

recommends that you speak with your financial adviser or tax adviser to determine your own situation.

You may choose to have your distributions either reinvested as additional AFARF Units via AFARF's distribution reinvestment plan, or paid directly to your nominated Australian bank account. Until you nominate an Australian bank account (either on the application form or by subsequently updating your investor details to include an Australian bank account), Aurora will reinvest your distributions. Distribution payments will generally not be paid by cheque.

Aurora may change AFARF's distribution policy at any time.

See section 4.10(b) for details of AFARF's historical distributions to AFARF Unit Holders.

#### **4.27 Regulatory regime**

AFARF is registered as a managed investment scheme under the Corporations Act, and Aurora is the trustee and responsible entity, and holds an AFSL which authorises it to operate AFARF. As such, the operation of AFARF and Aurora's role as responsible entity is principally regulated by ASIC under the Corporations Act.

Aurora has a compliance plan for AFARF which details the methods it takes to ensure that in operating AFARF Aurora complies with the Corporations Act and the constitution of AFARF. Aurora also has a compliance committee which (amongst other things) monitors Aurora's adherence to the compliance plan. It comprises 3 members, 2 being external to Aurora. The compliance committee is required to report any breach of AFARF's constitution or the Corporations Act to Aurora, and in some instances, to ASIC.

#### **4.28 What are the main rights and obligations of investors?**

The rights and obligations of investors are governed by AFARF's constitution and the AFARF PDS, but are also affected by the Corporations Act, exemptions and declarations issued by ASIC, and the general law relating to trusts. You may inspect a copy of AFARF's constitution at Aurora's office by contacting Aurora during office hours and making a time to come in and inspect the copy. Alternatively, you may obtain a copy by contacting Aurora (and paying a fee).

Some of the provisions of AFARF's constitution are discussed elsewhere in this bidder's statement. Others that relate to an investor's rights under AFARF's constitution include:

- (a) the nature of AFARF Units;
- (b) how AFARF Units may be transferred;
- (c) how the price of an AFARF Unit is calculated;
- (d) what an investor is entitled to receive upon withdrawal or where AFARF is wound up;
- (e) the times Aurora can delay processing withdrawals (such as if calculating NAV is impracticable); and
- (f) investors' rights to share in any income of AFARF, and how it is calculated.

An AFARF Unit Holder's rights to requisition, attend and vote at meetings of AFARF Unit Holders are contained in the constitution and the Corporations Act. Each AFARF Unit Holder entitled to vote at a meeting who is present in person or by proxy (or other representative) has on a show of hands 1 vote and on a poll 1 vote for each \$1 of value of the total AFARF Units held. Where AFARF Units are held jointly, and more than 1 joint AFARF Unit Holder attends the meeting, only the first named holder in the register of AFARF Unit Holders is entitled to vote.

The constitution states that the liability of an AFARF Unit Holder is limited to the amounts subscribed, or agreed to be subscribed, by the AFARF Unit Holder for AFARF Units but the courts are yet to determine the effectiveness of provisions of this kind. The constitution also states that an AFARF Unit Holder indemnifies the responsible entity of AFARF for:

- (a) all liability incurred by the responsible entity arising directly or indirectly from the AFARF Unit Holder's breach of its obligations to the responsible entity; and
- (b) any liability for tax incurred by the responsible entity as a result of the AFARF Unit Holder's action or inaction.

#### 4.29 Aurora's powers and duties as responsible entity

Aurora's powers include:

- (a) the power to invest, borrow and generally manage AFARF (which are practically unrestricted);
- (b) it has discretion to refuse applications for AFARF Units and transfers of AFARF Units;
- (c) it can change AFARF's constitution, but it needs approval at a meeting of AFARF Unit Holders if the change will adversely affect AFARF Unit Holder rights; and
- (d) it can charge fees and recover expenses.

As responsible entity, Aurora is also subject to many duties including duties to act honestly and in the best interests of investors, exercise care and diligence and treat investors holding AFARF Units of the same class equally.

However, under AFARF's constitution:

- (a) Aurora is not liable for any loss except to the extent the loss arises due to Aurora failing to comply with its duties under the Corporations Act; and
- (b) Aurora can be reimbursed for liabilities it incurs in relation to the proper exercise or performance of its powers and duties under the constitution or otherwise in connection with AFARF.

#### 4.30 Changing the responsible entity

Aurora can retire as responsible entity of AFARF, but in most situations only if a new person is appointed as replacement responsible entity.

Aurora may also be replaced as responsible entity, by a resolution passed by AFARF Unit Holders. As AFARF is unlisted, the resolution must be passed as an extraordinary resolution, i.e. by at least 50% of the total votes that may be cast by all AFARF Unit Holders entitled to vote on the resolution (whether or not voting), and Aurora and its associates are not entitled to vote any AFARF Units they hold on such a resolution.

#### 4.31 Anti-money laundering

Under Australia's anti-money laundering laws (**AML Laws**) including the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth), Aurora may be required to obtain comprehensive information to verify the identity of an investor and any underlying beneficial owner of AFARF Units and the source of any payment. By completing an Acceptance Form, an investor agrees that:

- (a) the investor does not subscribe to AFARF under an assumed name;
- (b) any money used to invest in the AFARF Units is not derived from or related to any criminal activities;
- (c) any proceeds of the investment will not be used in relation to any criminal activities;
- (d) if Aurora requests, the investor will provide to it any additional information that is reasonably required for the purposes of AML Laws (including information about the investor, any beneficial interest in the AFARF Units, or the source of funds used to invest);
- (e) Aurora may obtain information about the investor or any beneficial owner of the AFARF Units from third parties if it is believed this is necessary to comply with AML Laws; and
- (f) in order to comply with AML Laws, Aurora may be required to take action, including delaying or refusing the processing of any application or redemption, or disclosing information that Aurora holds about the investor or any beneficial owner of the AFARF Units to Aurora's related bodies corporate or service providers, or relevant regulators of AML Laws (whether in or outside of Australia).

#### 4.32 Foreign Account Tax Compliance Act and OECD Common Reporting Standards

The Foreign Account Tax Compliance Act (**FATCA**) is United States of America (**US**) legislation targeting non-compliance by US taxpayers using foreign accounts. In order to prevent FATCA

withholding tax being applied to any US connected payments to AFARF in Australia, Aurora is required to collect and report information to the Australian Taxation Office relating to certain US accounts, which may be exchanged with the US Internal Revenue Service.

Similar to FATCA, the OECD Common Reporting Standards (**CRS**) for the automatic exchange of information is a single global standard for the collection and reporting to tax authorities of information by financial institutions on non-residents. The CRS was implemented in Australia on 1 July 2017.

Accordingly, Aurora may request that investors provide certain information about themselves and, where an investor is an entity, its controlling persons in order for Aurora to comply with its FATCA or CRS compliance obligations.

In the event Aurora or AFARF suffers any amount of withholding tax (including FATCA withholding tax) and/or penalties, neither Aurora nor AFARF will be required to compensate investors for any such tax or penalty, except in exceptional circumstances.

#### **4.33 Environmental, social and ethical considerations**

Aurora does not take into account labour standards or environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments. This means that Aurora does not screen out companies solely on the basis of these standards or considerations. If a company's policies fall short of labour standards or its activities are considered environmentally, socially or ethically unacceptable and as a result, the company's earnings are adversely affected, AFARF may not invest or choose to divest itself of the investment.

#### **4.34 ASIC relief**

ASIC has under its power in section 1020F of the Corporations Act granted relief from the operation of the Corporations Act that is generally applicable to investing in AFARF.

This includes the relief available under ASIC Instrument 2015/847, that modifies the requirements under sections 601GA(1) and (4) of the Corporations Act that the constitution of a registered scheme:

- (a) make adequate provision for the consideration that is to be paid to acquire an interest in the scheme; and
- (b) specify any right to withdraw from the scheme or set out adequate procedures for making and dealing with withdrawal requests;

by allowing AFARF's constitution to provide a formula or method to determine the amount to be paid for the issue or redemption of AFARF Units that is based on the value of AFARF property attributable to AFARF Units of the relevant class less liabilities that under the constitution may be met from that property divided by the number of AFARF Units on issue in that class, subject to Aurora having certain discretions in relation to the determination. Under this relief, Aurora must prepare a number of documents including a policy as to how these discretions may be exercised and the records it will keep about the exercise of each discretion, and a document that sets out details of the exercise of each discretion for which there is no documented policy or that involves a departure from the documented policy. Aurora must retain the documents for 7 years after they cease to be current and will give a copy of the documents to a person who has been given, should have been given or has obtained the AFARF PDS or who is an AFARF Unit Holder, on request and without charge.

Aurora relies on the relief available under ASIC Corporations (Updated Product Disclosure Statements) Instrument 2016/1055, which modifies the requirement under section 1012J of the Corporations Act that the information in a product disclosure statement be up-to-date as at the time when it is given. Under this relief, information in a product disclosure statement that is not materially adverse (from the point of view of an investor) need not be up-to-date so long as, among other things, the product disclosure statement was up-to-date when it was first given, the product disclosure statement explains how updated information can be found at any time and the product disclosure statement explains that a paper or electronic copy of the updated information will be given or made available to a person without charge on request. As responsible entity of AFARF, Aurora must establish and maintain a means by which a person may find out any updated information (in a way which is simple, involves no charge and little

inconvenience to the person) and keep a copy of any updated information for 7 years after it is prepared.

#### **4.35 Periodic reporting**

Aurora lodges with ASIC every year an annual financial report for AFARF comprising AFARF's annual financial statements, a statement and report from the directors of Aurora and the auditor's audit report in relation to AFARF's annual financial statements. A copy of AFARF's annual financial report most recently lodged with ASIC is available on Aurora's website ([www.aurorafunds.com.au](http://www.aurorafunds.com.au)). AFARF Unit Holders may also obtain a copy from Aurora (without charge).

Additionally, and as recommended by ASIC in its regulatory guide 240, Aurora has a policy to make available to investors periodic reports and updates on certain key information in relation to AFARF as follows:

##### ***Annual reporting***

- (a) Actual asset allocation — the percentage of AFARF's assets (by value) at the end of the financial year within each asset type described in the targeted allocation range set out in section 4.6.
- (b) Liquidity profile of AFARF assets — the estimated time required to sell AFARF's assets at the end of the financial year at the value ascribed to the assets in AFARF's most recently calculated Net Asset Value.
- (c) Maturity profile of liabilities of AFARF — the liabilities of AFARF categorised by class of liability and maturity date timeframes.
- (d) Leverage ratio — the ratio of total liabilities of AFARF to value of total assets of AFARF at the end of the financial year (after taking into account any leverage embedded in assets of AFARF other than quoted equities).
- (e) Details of the counterparties with which Aurora as responsible entity of AFARF entered into derivatives during the financial year.
- (f) Investment returns from AFARF (i.e. net return on AFARF's assets after fees, costs and taxes) for the financial year and the previous 4 financial years.

##### ***Monthly updates***

- (a) Net Asset Value of AFARF at the end of the month.
- (b) AFARF Unit redemption value at the end of the month.
- (c) Net return on AFARF's assets after fees, costs and taxes since the last update.
- (d) Material changes in AFARF's risk profile or investment strategy since the last update.
- (e) Changes to key service providers since the last update (including any change in their related party status).
- (f) Changes to key investment decision makers since the last update.

##### ***Ongoing availability***

The latest reports and updates containing the above information will be available from Aurora's website ([www.aurorafunds.com.au](http://www.aurorafunds.com.au)). Aurora may also provide other updates, and issue information relevant to AFARF, on its website from time to time.

#### **4.36 Material changes**

Aurora will also notify on its website any updated information that would otherwise be required to be specified in the AFARF PDS at the time it is given to a retail investor, or any other material change to a matter, or significant event that affects a matter, required to be specified in the AFARF PDS. If the change is (or might result in) an increase in fees or charges, Aurora will give notice at least 30 days before the change takes effect. Any other change or event will be notified before, or as soon as practicable after, it occurs.



#### **4.37 Tax statement**

A tax statement will be sent to investors if AFARF has distributed income for a financial year. Generally, the tax statement is sent to investors shortly after the final distribution for the financial year.

#### **4.38 Complaints**

AFARF Unit Holders are requested to notify Aurora of complaints in writing. Under AFARF's constitution, Aurora as responsible entity must acknowledge written complaints within 14 business days. Aurora must ensure that complaints receive proper consideration and must act in good faith in dealing with complaints. Aurora must respond to a complaint as soon as practicable and, in any event, not more than 38 days after it receives the complaint. If an AFARF Unit Holder is not happy with how the complaint has been resolved, the AFARF Unit Holder may contact the Financial Ombudsman Service (**FOS**) of which Aurora is a member. This is an independent body and is approved by ASIC to consider complaints. The telephone number for FOS is 1800 367 287.

If referral to FOS still does not resolve the complaint, the AFARF Unit Holder may refer it to an arbitrator agreed on by the AFARF Unit Holder and Aurora or, failing agreement, nominated by the national president of Resolution Institute ACN 008 651 232 (or his or her nominee). Parties must bear their own costs in relation to the arbitration, although the arbitrator's fees will be split equally between the parties. The arbitration will be conducted in accordance with the *Commercial Arbitration Act 1984* (Vic).

#### **4.39 Keeping Aurora informed**

AFARF's records about AFARF Unit Holders are important. AFARF Unit Holders are requested to inform Aurora in writing signed by all persons named as applying for AFARF Units in the Acceptance Form (or any other application form for AFARF Units) of any changes to details which they have given Aurora. This may be a new postal address, a change of name or new financial institution account details for distribution payments. Aurora will send written confirmation of changes. AFARF Unit Holders are requested to quote their investor number when they contact Aurora.

#### **4.40 Related party transactions and other conflicts of interest**

Aurora may from time to time obtain services or facilities from its related parties. Where it does so, and the cost is to be paid out of AFARF as a reimbursable expense, rather than being paid by Aurora out of its own funds (e.g. its management fee), Aurora will obtain the supply on reasonable arm's length terms or on terms more favourable to Aurora than reasonable arm's length terms or, unless the financial benefit to the related party falls within another exception set out in sections 210 to 216 of the Corporations Act (as modified by part 5C.7), Aurora will first obtain the approval of AFARF Unit Holders to give the benefit in accordance with sections 217 to 227 of the Corporations Act (as modified by part 5C.7).

Aurora is the responsible entity of a number of other funds and may provide investment management services to other entities that have similar objectives to those of AFARF. This could give rise to a potential conflict of interest for Aurora, e.g. where a potential investment may be suitable for AFARF and another fund or an opportunity arises to sell an investment held on behalf of a number of funds. A conflict could also arise where Aurora decides to make an investment on behalf of AFARF in another fund managed by Aurora. Aurora is subject to strict laws as to how to manage conflicts of interest and has adopted a conflict of interest policy to assist it comply with those laws. Aurora has also adopted a separate policy specifically about how to allocate investment opportunities across funds it manages — see section 4.41 for a summary of the trade allocation policy.

#### **4.41 Trade allocation policy**

Aurora is responsible for the efficient and prudent management of all funds it manages. In the course of managing a number of funds, there will arise occasions when a potential investment may be appropriate for more than one fund.

In consequence, Aurora has adopted a trade allocation policy that requires a number of factors to be considered when deciding how an investment may be allocated, including:

- (a) how the investment fits into AFARF's mandate;
- (b) availability of investable funds;
- (c) the concentration effect the investment would have on AFARF's portfolio;
- (d) the quality of the investment compared to the existing assets of AFARF; and
- (e) any other considerations as applicable (e.g. the effect of allocation on a proportional basis as between funds for which the investment is appropriate or whether allocation on another basis may be preferable).

Trade allocation will be determined by Aurora on a basis that is fair, reasonable and equitable to all funds based on Aurora's trade allocation policy and each fund's investment objectives.

#### **4.42 Custodian**

Where Aurora appoints a custodian to hold AFARF's assets, the custodian's role is generally limited to safe-keeping of the assets and acting on Aurora's directions to settle AFARF's trades. The custodian does not make investment decisions in respect of the assets held, and has no supervisory role in relation to the operations of AFARF.

#### **4.43 Indemnity**

Aurora, as responsible entity of AFARF, is indemnified out of the assets of AFARF for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to AFARF. To the extent permitted by the Corporations Act and at law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent. Aurora may retain and pay out of any money in its hands all sums necessary to satisfy the indemnity.

#### **4.44 Further information**

Further information about AFARF is available from Aurora's website ([www.aurorafunds.com.au/investment-funds/afarf-unlisted-managed-fund](http://www.aurorafunds.com.au/investment-funds/afarf-unlisted-managed-fund)). This includes copies of AFARF's financial statements.

## 5. Information on Molopo

### 5.1 Disclaimer

The information about Molopo in this bidder's statement is based on publicly available information, including from ASIC and ASX. It has not been independently verified. Accordingly, Aurora does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information about Molopo in this bidder's statement should not be considered comprehensive.

Further information relating to Molopo and its business may be included in its target's statement.

### 5.2 Background and business activities

Molopo is an Australian public company which is listed on ASX. However, its ordinary shares are currently suspended from quotation, and so not able to be traded on ASX.

Molopo formerly conducted a business involved in oil and gas exploration and some production activities.<sup>9</sup> Following those activities being wound down, Molopo's principal activities have involved defending residual litigation in Canada (**Canadian Litigation**) relating to its previous business, managing the company's cash reserves and undertaking a review of oil and gas opportunities globally.<sup>10</sup>

More recently, Molopo announced to ASX that:

- (a) Molopo had invested US\$7 million (AU\$8.75 million based on \$0.80 AU/US dollar exchange rate) to acquire a 50% interest in a British Virgin Islands-registered company called Orient FRC Ltd (**Orient**) from a Dr Gil Feiler, a banker and hedge fund manager, and Orient is to participate in an exploration and development project with Kerogen Florida Energy Company LP for up to a 50% working interest to explore for oil and gas;<sup>11</sup>
- (b) Molopo's consolidated financial result for the half year ended 30 June 2017 was an after-tax loss of \$2.7 million;<sup>12</sup> and
- (c) one of Molopo's largest shareholders, Keybridge Capital Limited, has commenced legal proceedings (**Keybridge Proceedings**) in the Supreme Court of Western Australia against Molopo:
  - (1) for orders allowing it to inspect Molopo's books and documents; and
  - (2) for a declaration of oppressive conduct by Molopo and for various orders, including restraining Molopo from taking any further steps in relation to the Orient transaction or from making any material acquisition without shareholder approval and appointing a receiver and manager of all of Molopo's property;

and has also requisitioned a general meeting of Molopo to remove Mr Alexandre Gabovich as executive director and interim chairman, and appoint Mr William Johnson as a director.<sup>13</sup>

### 5.3 Suspension of quotation of Molopo Shares on ASX

On 25 July 2017, Molopo Shares were placed in a trading halt pending the announcement of a strategic investment.<sup>14</sup> Two days later, on 27 July 2017, Molopo Shares were voluntarily suspended from quotation on ASX.<sup>15</sup>

<sup>9</sup> Announcement by Molopo to ASX dated 31 March 2016 with headline 'FY2015 Annual Report to shareholders' and announcement by Molopo to ASX dated 30 May 2016 with headline 'Chairman's Address to Shareholders'.

<sup>10</sup> Announcement by Molopo to ASX dated 11 September 2017 with headline 'June 2017 Half Yearly Report and Accounts'.

<sup>11</sup> Announcement by Molopo to ASX dated 22 August 2017 with headline 'Molopo invests into Orient FRC and Florida petroleum assets'.

<sup>12</sup> Announcement by Molopo to ASX dated 11 September 2017 with headline 'June 2017 Half Yearly Report and Accounts'.

<sup>13</sup> Announcement by Molopo to ASX dated 15 September 2017 with headline 'Response to revised intention to bid and court applications'.

<sup>14</sup> Announcement by Molopo to ASX dated 25 July 2017 with headline 'Trading Halt'.

<sup>15</sup> Announcement by Molopo to ASX dated 27 July 2017 with headline 'Suspension from Official Quotation'.



On 22 August 2017, Molopo announced<sup>16</sup> to ASX that the investment in Orient did not satisfy ASX's requirement to have a sufficient level of operations and, as such, Molopo Shares would continue to be suspended until further notice.

At the date of this bidder's statement, the Molopo Shares remain suspended from quotation on ASX.

#### 5.4 Directors

At the date of this bidder's statement, the directors of Molopo are:

- (a) Alexandre Gabovich (executive chairman and managing director)
- (b) Samuel Belzberg
- (c) Ronnen Rosengart
- (d) Matthew Cudmore
- (e) Baljit Johal<sup>17</sup>

#### 5.5 Molopo's capital structure

The only securities on issue in Molopo at the date of this bidder's statement are 249,040,648 fully paid ordinary shares.<sup>18</sup> Under the Bid, Aurora as responsible entity of AFARF is offering to acquire all of these Molopo Shares which it does not already own.

The rights and liabilities attaching to Molopo Shares are governed by Molopo's constitution, the Corporations Act, the ASX Listing Rules and general law.

#### 5.6 Substantial holders of Molopo Shares

At the date of this bidder's statement, these Molopo Shareholders (together with any associates) have voting power in Molopo of at least 5%:

Molopo Shareholder	Voting power
Aurora as responsible entity of AFARF and Aurora Global Income Trust <sup>19</sup>	20.52%
Keybridge Capital Limited <sup>20</sup>	20.52%
Ion Limited <sup>21</sup>	19.95%
The Commonwealth of Australia <sup>22</sup>	17.35%
Samuel Belzberg <sup>23</sup>	9.04%

#### 5.7 Molopo Share sale price

The most recent sale price for a Molopo Share on ASX prior to the date of this bidder's statement was \$0.14 on 21 July 2017 (which was also the last trade made prior to Aurora publicly announcing its intention to make the Bid, which occurred on 27 July 2017).

In the 6 months prior to 21 July 2017:

- (a) the highest recorded sale price of a Molopo Share on ASX was \$0.175 on 20 March 2017; and

<sup>16</sup> Announcement by Molopo to ASX dated 22 August 2017 with headline 'Voluntary suspension extension'.

<sup>17</sup> Based on a review of Molopo's details on its company information page on ASX's website as at 25 October 2017 and announcement by Molopo to ASX dated 25 October 2017 with headline 'Director Appointments'.

<sup>18</sup> Announcement by Molopo to ASX dated 15 June 2015 with headline 'Appendix 3B'.

<sup>19</sup> Notice of change of interests of substantial holder dated 11 July 2017 given by Aurora and Seventh Orion Pty Ltd as trustee of the Aurora Investments Unit Trust to ASX on 11 July 2017. Aurora's voting power is stated to include Molopo Shares in which Keybridge Capital Limited has a relevant interest because, on 30 June 2017, the Takeovers Panel declared that Aurora and Keybridge Capital Limited were associates in relation to the affairs of Molopo. Aurora denies that this is the case and, on 8 September 2017, applied to the Federal Court of Australia for a judicial review of the Takeovers Panel's decision.

<sup>20</sup> Notice of change of interests of substantial holder dated 11 July 2017 given by Keybridge Capital Limited to ASX on 11 July 2017. Keybridge Capital Limited's voting power is stated to include Molopo Shares in which Aurora has a relevant interest because, on 30 June 2017, the Takeovers Panel declared that Aurora and Keybridge Capital Limited were associates in relation to the affairs of Molopo.

<sup>21</sup> Notice of initial substantial holder dated 24 March 2016 given by Ion Limited, Alizay Limited and Daniel Goldberg to ASX on 30 March 2016.

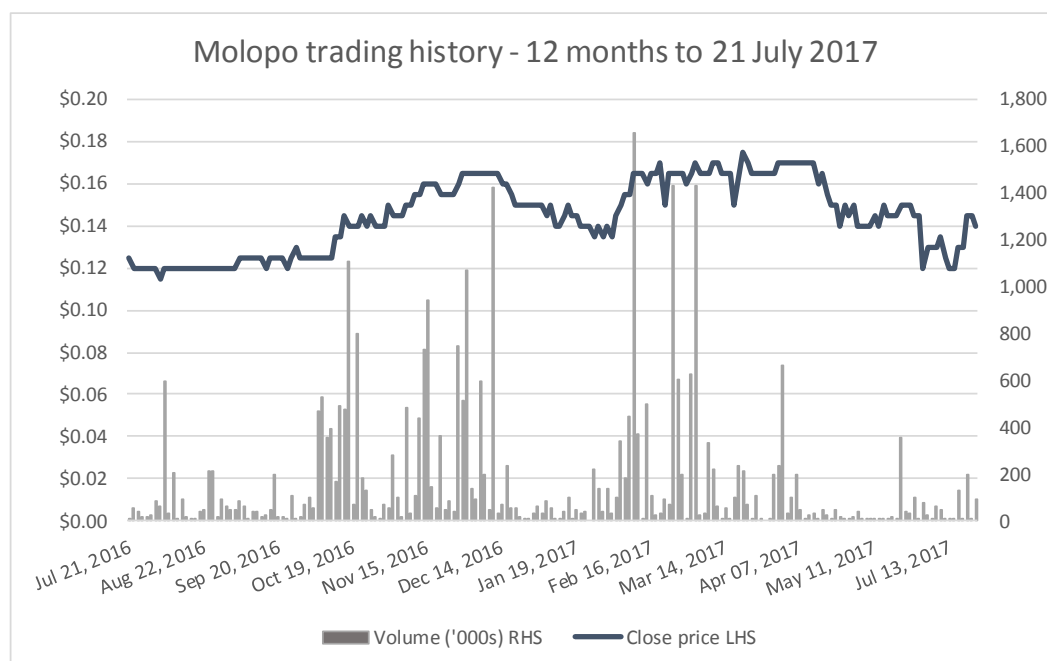
<sup>22</sup> Notice of initial substantial holder dated 11 July 2017 given by the Commonwealth of Australia and ASIC to ASX on 11 July 2017. See section 4.16(b) for further details.

<sup>23</sup> Notice of initial substantial holder dated 22 April 2016 given by Samuel Belzberg to ASX on 26 April 2016.

(b) the lowest recorded sale price of a Molopo Share on ASX was \$0.120 on 14 July 2017.<sup>24</sup>

## 5.8 Molopo Share trading price and volume activity

The following chart illustrates the sale price and trading volume of Molopo Shares on ASX for the 12 month period ending 21 July 2017 (being the date Molopo Shares last traded on ASX prior to the date of this bidder's statement).<sup>25</sup>



## 5.9 Dividends

Molopo has not paid any dividends on Molopo Shares for at least the last 7 years.<sup>26</sup>

## 5.10 Information given to ASX

The announcements and other information given to ASX by or about Molopo upon which the information in this bidder's statement is based, as well as additional information about Molopo given to ASX, can be obtained from Molopo's company information page on ASX's website ([www.asx.com.au/asx/share-price-research/company/MPO](http://www.asx.com.au/asx/share-price-research/company/MPO)).

## 5.11 Further information about Molopo

Further information about Molopo can be obtained from Molopo's website ([www.molopoenergy.com](http://www.molopoenergy.com)).

<sup>24</sup> Sale price information obtained from trading data prepared by Market Index Pty Ltd and published on [www.marketindex.com.au](http://www.marketindex.com.au). Market Index Pty Ltd has not consented to the use of the sale price information in this bidder's statement.

<sup>25</sup> Trading price and volume activity information obtained from trading data prepared by Market Index Pty Ltd and published on [www.marketindex.com.au](http://www.marketindex.com.au) and by Fusion Media Limited and published on [au.investing.com](http://au.investing.com). Market Index Pty Ltd and Fusion Media Limited have not consented to the use of the trading price and volume activity information in this bidder's statement.

<sup>26</sup> Based on a review of Molopo's announcements given to ASX.

## 6. Aurora's intentions regarding Molopo

### 6.1 Overview

This section 6 sets out Aurora's intentions in relation to:

- (a) the continuation of Molopo's business;
- (b) any major change to Molopo's business and any redeployment of the fixed assets of Molopo; and
- (c) the continuation of the future employment of the existing employees of Molopo.

These intentions are based on the information about Molopo, its business and the general business environment known to Aurora at the date of this bidder's statement.

Final decisions on these matters will only be reached in the light of all material facts and circumstances at the relevant time. If the Offer is successful, Aurora will, in the ordinary course, review the activities, assets and employees of Molopo to evaluate performance, profitability and prospects having regard to the information then available. Accordingly, this section 6 contains statements of current intention only which may change as new information becomes available or circumstances change.

### 6.2 Reasons for the Bid

Aurora has made the Bid with a view to unlocking the inherent value in Molopo and its cash reserves. If Aurora is able to gain control of Molopo on completion of the Bid, it intends to:

- (a) cease any further investment activity by Molopo in oil or gas exploration projects, and review Molopo's investments in this area with a view to determining how best to realise or otherwise manage them;
- (b) attempt to resolve the Canadian Litigation and Keybridge Proceedings referred to in section 5.2 to the extent still on foot, while prudently investing Molopo's remaining cash assets; and
- (c) subject to making appropriate provisions for Molopo's ongoing liabilities, arrange to return a material portion of Molopo's capital to all Molopo Shareholders.

### 6.3 Intentions on acquiring at least 90% of Molopo Shares

If Aurora becomes the owner of at least 90% of the Molopo Shares on issue following completion of the Offer and so becomes entitled to proceed to compulsory acquisition of the remaining Molopo Shares which it does not own, Aurora's current intentions in relation to Molopo are as set out below:

#### **Corporate matters**

Aurora:

- (a) would proceed with compulsory acquisition of the outstanding Molopo Shares in accordance with chapter 6A of the Corporations Act;<sup>27</sup>
- (b) would arrange for Molopo to be removed from the official list of ASX; and
- (c) also intends to replace all current directors of Molopo with its own nominees, whom it expects will be from the current directors and executives of Aurora.

#### **Molopo's business**

Aurora intends to conduct an immediate review of Molopo's investment in Orient FRC Ltd and other activities, including any other investments made by Molopo in the oil and gas exploration sector with a view to determining how best to realise or otherwise manage them. Aurora would also conduct a review of the Canadian Litigation to ensure it is being appropriately managed as

<sup>27</sup> This is subject to Aurora not being prohibited from acquiring the outstanding Molopo Shares. Although unlikely, it is possible that at the time Aurora could proceed with compulsory acquisition, the Commonwealth of Australia may continue to hold some of the Molopo Shares which Aurora, under the terms of the orders made by the Takeovers Panel, would be precluded from acquiring. See section 4.16(b) for further details.

well as a general review of Molopo's structure, cash management activities and other operations to identify those which can be combined with Aurora's operations in order to reduce Molopo's costs.

Aurora will also attempt to resolve with Keybridge Capital Limited any outstanding issues in relation to the Keybridge Proceedings as cost effectively as possible.

### **Returns of capital**

Subject to undertaking a careful review of Molopo's liabilities, Aurora intends to arrange to return a material amount of Molopo's capital. The amount to be returned will not be able to be determined until the review has been completed.

Any cash assets of Molopo that remain following that return of capital would be prudently invested until the Canadian Litigation is resolved. At that time, Aurora would then consider whether an additional return of capital could be made.

### **Officers and employees**

Aurora understands that Molopo's only employees are the interim executive chairman and managing director, Mr Alexandre Gabovich, and the recently appointed finance director, Mr Baljit Johal, with other staffing requirements being performed by contractors on an as-required basis. Aurora intends to review those arrangements and:

- (a) Aurora expects to terminate any employment contract with Mr Gabovich;
- (b) given Mr Johal's appointment was only announced on 25 October 2017 (the day before the date of this bidder's statement), Aurora has not yet decided whether it would terminate Mr Johal's employment with Molopo; and
- (c) in relation to contractors, Aurora expects to terminate those arrangements to the extent the services provided by those contractors are able to be provided by Aurora employees or Aurora's existing service providers on more favourable terms.

## **6.4 Intentions on acquiring more than 50.1% but less than 90% of Molopo Shares**

If Aurora becomes the owner of more than 50.1% but less than 90% of the Molopo Shares on issue following completion of the Offer, Aurora's current intentions in relation to Molopo are the same as set out in section 6.3 (to the extent Aurora is able to achieve those outcomes as a majority shareholder in Molopo), subject to the following exceptions:

- (a) Aurora would maintain Molopo's listing on ASX subject to continued satisfaction of the listing requirements including a sufficient spread of shareholders. Although, in this event the suspension of Molopo Shares from trading on ASX is likely to continue.
- (b) Subject to the Corporations Act and Molopo's constitution, Aurora would seek to add to or replace a proportion of the directors of Molopo with nominees of Aurora to reflect AFARF's proportionate ownership interest in Molopo, with minority shareholders represented by independent directors. Aurora has not made any decision on who would be removed or nominated for appointment to the board of Molopo in this case. Any director nominated by Aurora would be subject to duties (e.g. under the Corporations Act) to act in the best interests of Molopo, not the best interests of Aurora.

## **6.5 Intentions on acquiring less than 50.1% of Molopo Shares**

Aurora reserves the right to declare the Offer free from the 50.1% minimum acceptance condition (or any other condition) to the Offer.

If Aurora does so and becomes the owner of less than 50.1% of the Molopo Shares on issue following completion of the Offer, Aurora's current intentions in relation to Molopo are the same as set out in section 6.3 (to the extent Aurora is able to achieve those outcomes as a substantial but not majority shareholder in Molopo). However, given Aurora's smaller proportionate ownership interest in Molopo, Aurora expects it would be in less of a position to add to or replace a proportion of the directors of Molopo with its own nominees, and accordingly Aurora's ability to achieve its intentions in relation to Molopo would be dependent on securing the agreement of a majority of Molopo directors to Aurora's proposals.

## 7. Effect of Bid on AFARF

### 7.1 Effect on AFARF Units on issue

AFARF is an open fund. Currently, applications for AFARF Units are processed on a monthly basis resulting in new AFARF Units being issued at the end of a calendar month, and redemption requests are processed quarterly resulting in AFARF Units being redeemed at the end of a calendar quarter. As at 30 September 2017 and after taking into account the AFARF Units to be redeemed for the quarter ended on that date in accordance with the redemption guidelines summarised in section 4.21, there were 20,386,855 AFARF Units on issue, and since then to the date of this bidder's statement no additional AFARF Units have been issued or redeemed.

If following completion of the Bid, AFARF becomes the owner of 100% of the Molopo Shares, the total AFARF Units on issue immediately following the completion of the Bid will be as set out in the table below. The table has been prepared on the assumption that:

- AFARF acquires 245,408,019 Molopo Shares under the Bid, being all of the Molopo Shares on issue on the date of this bidder's statement that are not already owned by or on behalf of AFARF;
- the issue price of an AFARF Unit issued as consideration under each Offer is \$0.6243 (being the NAV per AFARF Unit as at 30 September 2017 based on AFARF's unaudited management accounts to that date); and
- there is no change to the total number of AFARF Units on issue after the date of this bidder's statement other than due to the issue of AFARF Units as consideration under the Bid.

	If AFARF pays \$5 million of cash consideration under the Bid		If AFARF pays no cash consideration under the Bid	
	Number	Percentage	Number	Percentage
AFARF Units on issue at the date of this bidder's statement	20,386,855	31%	20,386,855	28%
AFARF Units issued in exchange for Molopo Shares	45,058,597	69%	53,067,568	72%
<b>Total AFARF Units following completion of Bid</b>	<b>65,445,452</b>	<b>100%</b>	<b>73,454,423</b>	<b>100%</b>

### 7.2 Pro forma statement of financial position of AFARF

To illustrate the expected effect of the Bid on AFARF, a pro forma consolidated statement of financial position of AFARF combined with Molopo is set out below, which has been prepared using:

- the audited statement of financial position of AFARF for the year ended 30 June 2017; and
- the auditor-reviewed statement of financial position of Molopo for the half year ended 30 June 2017;

and on the assumption that:

- following completion of the Bid, 100% of the Molopo Shares on issue are owned by or on behalf of AFARF;
- the Bid was completed on 30 June 2017; and
- there is no change to the financial position of AFARF or Molopo as disclosed in the above financial statements except in consequence of completion of the Bid or as otherwise noted below.

**Pro forma statement of financial position (based on 30 June 2017 audited or auditor-reviewed financial statements and known and estimated subsequent events)**

<b>\$'million</b>	<b>AFARF</b>	<b>Molopo</b>	<b>Adjustments</b>	<b>Note</b>	<b>Pro forma</b>
Cash	0.7	65.1	(5.4)	1, 2	60.4
Financial investments	13.4	-	(1.3)	3	12.1
Other assets	0.5	0.3			0.8
Provisions	-	(8.3)			(8.3)
Other payables	(0.6)	(1.1)			(1.7)
<b>Net assets</b>	<b>14</b>	<b>56</b>	<b>(6.7)</b>		<b>63.3</b>

**Adjustment notes**

The adjustments are illustrative, and include changes to AFARF's net asset position between 30 June 2017 and the date of this bidder's statement that are known to or expected by Aurora. They do not include any change to Molopo's net assets since 30 June 2017 as up to the date of this bidder's statement Molopo had not publicly disclosed (or otherwise provided to Aurora) any update on its net asset position, including due to the Orient FRC Ltd acquisition that occurred after 30 June 2017. Aurora has requested Molopo to provide additional information in relation to this acquisition, however, no information has yet been provided. The allocation of adjustments between cash and financial investments (primarily ASX-listed securities) may differ from the above as financial investments may be disposed of by AFARF to make payments.

1. \$5 million of this adjustment is based on the assumption that AFARF pays \$5 million of cash consideration under the Bid, with the residual consideration provided by an issuance of AFARF Units.
2. \$0.4 million of this adjustment is based on the assumption that the costs incurred by AFARF and Molopo in relation to the Bid (such as fees of legal and tax advisers, and registry, printing and postage costs) are in the order of \$0.4 million.
3. This adjustment relates to a known reduction in AFARF's net assets since 30 June 2017, primarily due to redemption and distribution payments (made in July 2017 or to be made in October 2017) that have been partially offset by investment gains.



## 8. Aurora's interests in Molopo

### 8.1 Acquisitions in last 4 months

Neither Aurora nor an associate of Aurora has provided, or agreed to provide, consideration for a Molopo Share under a purchase or agreement during the 4 months before the date of this bidder's statement.

### 8.2 Relevant interests

Immediately before the first Offer was sent, Aurora had a relevant interest in 5,088,921 Molopo Shares (representing approximately 2.04% of the Molopo Shares on issue at the date of this bidder's statement). Of these Molopo Shares, 3,632,629 were held by or on behalf of AFARF and 1,456,292 were held by or on behalf of Aurora Global Income Trust.

### 8.3 Voting power

At the date of this bidder's statement, Aurora's voting power in Molopo was approximately 20.52%. This comprises the Molopo Shares in which Aurora has a relevant interest, together with the approximately 18.48% of Molopo Shares in which Keybridge Capital Limited has a relevant interest.<sup>28</sup>

### 8.4 Relevant interests of directors of Aurora in Molopo Shares

At the date of this bidder's statement, the directors of Aurora have a relevant interest in Molopo Shares as follows:

Director	Molopo Shares	
	Number	Percentage
Jeffrey Schwarz	331,214	0.13%
John Patton	nil	0%
Betty Poon	nil	0%

### 8.5 Collateral benefits

During the period of 4 months before the date of this bidder's statement, neither Aurora nor an associate of Aurora gave, or offered to give or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- (a) accept the Offer; or
- (b) dispose of Molopo Shares;

and which was not offered to all Molopo Shareholders under the Bid.

### 8.6 No escalation agreements

Neither Aurora nor an associate of Aurora has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

<sup>28</sup> Aurora's voting power is stated to include Molopo Shares in which Keybridge Capital Limited has a relevant interest because, on 30 June 2017, the Takeovers Panel declared that Aurora and Keybridge Capital Limited were associates in relation to the affairs of Molopo. Aurora denies that this is the case and, on 8 September 2017, applied to the Federal Court of Australia for a judicial review of the Takeovers Panel's decision.

## 9. Tax considerations

### 9.1 Disclaimer

This section 9 provides only a general overview of the Australian taxation implications of disposing of Molopo Shares and holding AFARF Units. The summary is not intended to be comprehensive, and is based upon Aurora's interpretation of Australian income tax legislation in force at the date of this bidder's statement.

You should not rely on these comments as advice in relation to your own affairs. Taxation laws are complex and there could be consequences in addition to those generally described below. It is recommended that you consult your own tax adviser for advice applicable to your individual needs and circumstances. Aurora does not accept any responsibility for the tax implications of disposing of Molopo Shares or acquiring AFARF Units under the Offer.

The summary is not exhaustive of all possible Australian income tax considerations that could apply and, in particular, does not address the tax considerations applicable to investors that may be subject to special tax rules.

This section 9 does not deal with Molopo Shareholders who:

- (a) hold their Molopo Shares in the course of carrying on a business (e.g. as trading stock) or on revenue account (e.g. as part of a profit-making undertaking or scheme);
- (b) acquired their Molopo Shares pursuant to an employee share, rights or option scheme; or
- (c) are subject to the taxation of financial arrangements provisions in division 230 of the *Income Tax Assessment Act 1997* (Cth).

Further, this section 9 does not address any taxation ramifications that may be applicable under the taxation laws of any foreign jurisdiction and various exemptions and specific rules that might apply to non-resident pension plans and sovereign funds.

The following comments only apply to Molopo Shareholders who hold their Shares on capital account.

### 9.2 Tax position of Australian residents disposing of Molopo Shares

This section 9.2 applies to Molopo Shareholders who are residents of Australia for Australian income tax purposes.

**Capital gains tax event:** A disposal by a Molopo Shareholder of their Molopo Shares pursuant to the Offer will constitute a capital gains tax (**CGT**) event for the Molopo Shareholder. The date of the CGT event will be the date the contract to dispose of the Molopo Shares is entered into by the Molopo Shareholder. This will be the date the Offer is accepted by the Molopo Shareholder, even though completion of the sale is subject to a number of conditions being satisfied.

If Molopo Shares are compulsorily acquired, the date of disposal will be the date when Aurora becomes the owner of those Molopo Shares.

**Calculation of capital gain or capital loss:** Molopo Shareholders will make a capital gain to the extent that the capital proceeds from the disposal of the Molopo Shares are more than the cost base of those Molopo Shares. Conversely, Molopo Shareholders will make a capital loss to the extent that the capital proceeds from the disposal are less than their reduced cost base of those Molopo Shares. Any net capital gain will be included in the Molopo Shareholder's calculation of taxable income and taxed at the Molopo Shareholder's marginal tax rate. There is no CGT rollover relief for Molopo Shareholders in respect of any cash or AFARF Units received on disposal of the Molopo Shares.

Capital gains and capital losses of a taxpayer in a year of income are aggregated to determine whether there is a net capital gain. Any net capital gain is included in assessable income and is subject to income tax. Capital losses may not be deducted against other income for income tax purposes, but may be carried forward to offset against future capital gains.

**Cost base:** The cost base of the Molopo Shares generally includes the purchase price paid for them and certain non-deductible incidental costs of their acquisition and disposal, such as

brokerage fees, less any capital returns received during the duration of holding the Molopo Shares. The reduced cost base of the Molopo Shares is usually determined in a similar, but not identical, manner.

**Capital proceeds:** The capital proceeds from the disposal of Molopo Shares will be the amount of consideration received by the Molopo Shareholder for the disposal, in this case the amount of any money and the value of any property, being the AFARF Units, received under the Offer. The value of the AFARF Units is intended to be the same amount as if the Molopo Shareholder had received cash under the Offer.

**Discount:** Individuals, complying superannuation entities and trusts that have held the CGT asset to which the capital gain relates for 12 months before the CGT event may be entitled to discount the amount of the capital gain (after application of capital losses) by 50% in the case of individuals and trusts or by 33⅓% for complying superannuation entities. For trusts, the ultimate availability of the discount for beneficiaries of the trust in relation to distributions of capital gains by the trust will depend on the particular circumstances of the beneficiaries. No discount is available for Molopo Shareholders that are companies.

### 9.3 Tax position of non-residents disposing of Molopo Shares

This section 9.3 applies to Molopo Shareholders who are not residents of Australia for Australian income tax purposes and do not hold their Molopo Shares in carrying on a business through a permanent establishment in Australia.

The disposal of Molopo Shares will generally only result in Australian CGT implications to a non-resident if the Molopo Shares are 'taxable Australian property' at the time of the CGT event.

Shares that meet the following conditions are 'indirect Australian real property interests' and are included in taxable Australian property:

- (a) where the Molopo Shareholder together with its associates holds or has held 10% or more of the total Molopo Shares on issue at the time of the CGT event or for any 12 month period within 2 years preceding the CGT event (referred to as a 'non-portfolio interest'); and
- (b) more than 50% of Molopo's value is due to the market value of direct or indirect interests in Australian real property, which is defined to include mining and exploration leases and licences (**the principal asset test**).

Where either element is not present, any capital gain on the disposal of the Molopo Shares should not be taxable in Australia.

Based on the information available to it, as at the date of this bidder's statement, Aurora does not consider that Molopo would satisfy the principal asset test. However due to the detailed calculations that are necessary to determine the market value of any Australian real property and other assets of Molopo, non-resident Molopo Shareholders who hold a 'non-portfolio interest' in Molopo should obtain independent tax advice as to the tax implications to them of the disposal.

Note that the discount referred to in section 9.2 is not available for non-residents.

A new law introduced in 2016 imposes a 12.5% non-final withholding obligation on the purchasers of certain Australian assets where they acquire them from a relevant foreign resident. This amount may be withheld from the payment the purchaser makes to the vendor. Relevantly, the obligation will apply to the acquisition of an asset that is an indirect Australian real property interest in an entity which passes the principal asset test.

The withholding tax is not a final tax, and the shareholder receives a credit for amounts withheld on filing an Australian tax return and may receive a refund of tax if amounts have been withheld in excess of their actual Australian tax liability.

However, as at the date of this bidder's statement, Aurora does not consider that Molopo satisfies the 'principal asset test' (as described above), and on that basis, does not consider that withholding under these rules is required. Accordingly, subject to there being no material change in circumstances by the time a Molopo Shareholder disposes of their Molopo Shares,

no amount will be withheld by Aurora from the consideration to be provided to the Molopo Shareholders.

#### 9.4 Taxation of AFARF

AFARF will generally not be liable for income tax provided investors are presently entitled to the net income of AFARF and are not under any legal disability. Tax losses of AFARF are quarantined in AFARF and can be carried forward to offset taxable income in future years.

#### 9.5 Tax position of Australian residents holding AFARF Units

**Distributions:** Australian resident investors will have to include in their taxable income for the year, the share of taxable income of AFARF (including any net capital gains) to which they are presently entitled at the end of that year, even if they reinvest distributions or if payment is not received in that year. To the extent that distributions from AFARF are distributions of a capital gain made on the realisation of long term investments, this may entitle Australian resident investors to a discount on the capital gain (refer to the paragraph below titled **Capital gains tax**).

**Tax deferred:** Any tax deferred income will generally be non-taxable in the year of distribution but will be applied to reduce Australian resident investors' cost base in their AFARF Units. This will ultimately have the effect of reducing the investors' cost base on the end sale, increasing the capital gain (or reducing the capital loss) on disposal of AFARF Units. To the extent the total tax deferred component exceeds an investor's cost base in the AFARF Units, the excess will be taxable as a capital gain in the year of payment.

**Imputation:** AFARF may pass on to Australian resident investors any benefits of imputation credits in respect of distributions including franked dividends from AFARF's investments. Investors receiving distributions, including franked dividends, will be required to include their share of dividends in their tax returns. However, investors may be denied franking credits in respect of distributions on AFARF Units which they have not owned at risk for a continuous period of 45 clear days (i.e. not counting the day of acquisition or the day of disposal). Investors may be able to reduce their tax liability for that year by offsetting the credits against other tax payable (excluding Medicare levy).

**Capital gains tax:** Australian resident investors' assessable income from their investment in AFARF may include a capital gain. This may arise due to AFARF distributions to which they are entitled including a net capital gain component (i.e. capital gains after offsetting any capital loss derived from the disposal of AFARF assets) or due to the withdrawal/redemption or other disposal of their AFARF Units for a price greater than their cost base. Australian individuals, trusts and complying superannuation entities may be eligible for partial capital gains tax relief in relation to the capital gain component of distributions and the disposal of AFARF Units where they have held the AFARF Units for at least 12 months.

**Providing your tax file number (TFN) or Australian business number (ABN):** Australian resident investors may choose to quote their TFN or ABN (if applicable) or claim an exemption in relation to their investment in AFARF by completing a TFN or ABN notification form. The law strictly regulates how Aurora may use TFNs and ABNs. If an Australian resident investor chooses not to give Aurora his or her TFN or ABN or to claim an exemption, Aurora must deduct tax at the highest personal tax rate (plus Medicare levy) before Aurora passes on each distribution to the investor.

**Duty:** Duty laws vary between Australian jurisdictions. Generally, the issue or redemption of AFARF Units should not attract any duty imposed under a state or territory law. Duty may also not be payable on the transfer of AFARF Units, however, you should confirm the duty consequences of transferring AFARF Units with your tax adviser.

**The Attribution Managed Investment Trust (AMIT) regime:** Eligible MITs can elect to become an Attribution MIT by irrevocable choice. It is not expected that the AMIT regime would significantly change the tax system for investors in AFARF. The current tax rules will continue to apply unless an election to enter the AMIT regime is made. Aurora will provide notification on its website if and when this election is made. Investors should seek their own tax advice with respect to the potential impact.

## **9.6 Tax position of non-residents holding AFARF Units**

Broadly, amounts that are attributable to dividends, interest and royalties and paid to a non-resident will be subject to withholding tax as if received directly by the non-resident.

Accordingly, the fully franked dividend component will not be subject to withholding tax. An unfranked dividend component will be subject to a withholding tax rate of 30% or the relevant lower double tax agreement rate. The interest component will be subject to withholding tax at the rate of 10%.

A fund payment represents the Australian source net income (other than dividends, interests and royalties) of the trust.

Under the Managed Investment Trust rules, where a fund payment is made to a foreign resident in a country which has an effective exchange of information agreement with Australia, the final withholding tax rate is 15%. In all other cases, withholding is required at the rate of 30%.

## **9.7 GST and stamp duty**

No liability to GST should arise for Molopo Shareholders in respect of a disposal of their Molopo Shares. Molopo Shareholders may be charged GST on costs they incur which relate to the disposal (e.g. legal, financial and tax adviser fees). Certain Molopo Shareholders may be entitled to claim input tax credits or reduced input tax credits in relation to the GST amount incurred on these costs, but should seek independent tax advice in relation to their individual circumstances.

Aurora will pay any stamp duty payable on its acquisition of Molopo Shares from Molopo Shareholders pursuant to the Offer.

## 10. Risks

### 10.1 Overview

This section 10 identifies what Aurora regards as the major risks associated with an investment in AFARF Units, for which you will be exchanging your Molopo Shares if you accept the Offer (to the extent you do not receive cash consideration). You should read the whole of this bidder's statement in order to fully appreciate those risks and the manner in which Aurora intends to operate AFARF before any decision is made to accept the Offer.

All investments carry risk. The likely investment value, return and the risk of losing money is different for each managed investment scheme as different investment strategies carry different levels of risk depending on the underlying mix of assets and investment timeframe. Future returns may differ from past returns. Those assets with potentially the highest long term return (such as shares) may also have the highest risk of losing money. You should consider the risks which will vary with respect to your own risk profile when deciding whether to accept the Offer and acquire AFARF Units.

While Aurora believes that prudent management will minimise the risks to AFARF Unit Holders, the operations and activities of AFARF are subject to a number of risks that may impact on its future performance.

The risk factors summarised below are not an exhaustive list of the risks faced by AFARF or AFARF Unit Holders. These risks factors, and others not identified below, may in the future materially affect the financial performance of AFARF and the value of the AFARF Units.

### 10.2 General risks

General risks that may impact significantly on AFARF, its performance and the price of AFARF Units include:

- (a) economic conditions in Australia and internationally;
- (b) investors sentiment and sharemarket conditions;
- (c) changes in fiscal and monetary policies; and
- (d) changes in relevant taxation and other legal regimes.

### 10.3 Counterparty risk

AFARF is exposed to the credit risk of its counterparties such as brokers and custodians. Should a counterparty go into administration or liquidation, AFARF may lose some or all of its assets. For example, where a custodian holds cash on deposit on behalf of AFARF, should the custodian go into liquidation this cash may not be returned.

### 10.4 Derivatives risk

The value of derivative investments is linked to the value of an underlying asset (or an interest rate, share index or some other reference point) and can be highly volatile. While derivatives offer the opportunity for higher gains for a smaller initial cash outlay, they can also result in significant losses, sometimes significantly in excess of the amount invested to obtain the derivative. Risks associated with using these instruments might include the value of the derivative failing to move in line with the underlying asset, potential illiquidity of, or inability to get set in, the derivative, AFARF not being able to meet payment obligations as they arise, and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract). Using derivatives may not provide the desired returns or protection from loss, and may increase losses. Aurora aims to keep derivative risk to a minimum by regularly monitoring AFARF's use of derivatives, and by entering into derivative contracts with reputable counterparties.

### 10.5 Investment manager risk

The skill and performance of Aurora as responsible entity of AFARF can have a significant impact on the investment returns of AFARF. Changes in the personnel and resources of Aurora's investment team may also have an impact on investment returns of AFARF.



#### **10.6 Leverage risk**

Leverage may be employed through short selling, derivatives or borrowed funds. The use of leverage will magnify the potential gains and losses achieved by AFARF. Losses from the use of leverage can be substantial and exceed the original amount invested.

#### **10.7 Securities lending risk**

AFARF's securities may be subject to securities lending by AFARF's prime broker/custodian (or a sub-custodian). Under a securities lending transaction, securities are lent to a third party (borrower) for a period of time. Securities lending of AFARF's securities exposes AFARF to additional risks e.g. where the parties to the lending transaction default and/or become insolvent.

#### **10.8 Securities borrowing risk**

AFARF may borrow securities as part of its investment strategy. The risks of securities borrowing includes the risk that the lender recalls the securities loan thereby requiring AFARF to unwind a trading position, even if this unwinding results in a loss. As the level of securities borrowings increases, so too does the cost of those borrowings. The cost of securities borrowing may increase materially, or become unavailable, which may lower the targeted and actual returns.

#### **10.9 Short selling risk**

A loss will be incurred when short selling securities if the short selling price is lower than the subsequent purchase price. If the short selling price is higher than the subsequent purchase price, a profit will be made (provided all the costs associated with the transaction are also recouped). Short selling securities involves additional risks such as liquidity risk, leverage risk and regulatory risk. In addition, losses incurred through selling securities that have been borrowed can be unlimited. Whilst short selling securities that have been borrowed can be used to reduce market risk, it is also possible for long positions and short positions to both lose money at the same time.

#### **10.10 Strategy risk**

AFARF's investment strategy may not provide the targeted objectives. You should also be aware that the investment strategy is expected to lose money from time to time. Returns from investing in equities and derivatives can be volatile — particularly over the short to medium term. The active trading nature of AFARF means that the volatility of AFARF may be higher as the returns are not always evenly distributed over long periods.

#### **10.11 Investee specific risk**

Investments by AFARF in securities of a company or other entity will be subject to many of the risks to which that particular entity is itself exposed. These risks may impact the value of the securities. These risks include factors such as changes in management, actions of competitors and regulators, sovereign risk, changes in technology and market trends. Further, underlying investees may themselves utilise leverage which could have the effect of magnifying AFARF's total leverage (and hence risk of default and/or loss). As Aurora is not involved in, and generally has no control over, the day-to-day operations or activities of investees, the actual risks associated with each specific investment cannot be fully predicted or described.

#### **10.12 External risk**

External factors are outside Aurora's control, and can affect both the value of an investment in AFARF and also the income that the investment might produce. These factors include such things as changes in interest rates, government policies, taxation and other laws, global stock market and economic conditions, and volatility in general. External risk factors cannot be eliminated.

#### **10.13 Interest rate risk**

The value of, or distributions from, AFARF Units, capital value or income of AFARF, or an investment of AFARF, may be adversely affected when interest rates fluctuate.

#### **10.14 Liquidity and withdrawal risk**

As AFARF Units are not quoted on ASX or any other financial market, the ability to dispose of them (other than through the redemption process) is limited.

AFARF may invest in significant concentrated positions in listed entities that are not an ASX 200 company, and accordingly their securities may not be highly liquid. In consequence, it is not expected that AFARF could realise 80% of its investments within 10 days in the ordinary course. If an AFARF Unit Holder or a group of AFARF Unit Holders seek to make large withdrawals, then selling assets to meet those withdrawals may result in a detrimental impact on the price AFARF receives for those assets. Alternatively, unusual events may occur that cause market liquidity to decrease and/or adversely change. Any such event may prevent AFARF from fully implementing the investment strategy, or from entering/liquidating security and/or derivative positions, or may adversely affect the ability of AFARF to price its investments. In these situations, Aurora may choose to restrict, delay, or suspend AFARF Unit pricing, applications, or redemptions. In addition, Aurora may seek to manage AFARF's assets (and, if necessary, temporarily suspend or change the investment strategy without notice) in order to minimise disruption, costs, and capital risk to AFARF — and thereby seek to protect AFARF in the interests of all AFARF Unit Holders.

Further, if a significant proportion of Molopo Shareholders accept the Offer and are issued AFARF Units, and those investors then make requests to redeem their AFARF Units at the same time, AFARF's ability to fund these redemption requests will largely depend on Aurora's ability to give effect to its intention to achieve a return of a material amount of Molopo's capital, as set out in section 6.

#### **10.15 Market risk**

AFARF is exposed to equity market risk. This risk is impacted by broad factors such as interest rates, availability of credit, economic factors, political environment, investor sentiment and significant external events (e.g. natural disasters).

#### **10.16 Operational and administration risk**

Some counterparties hold the AFARF Unit Holder records for AFARF, and provide the platform for the execution of AFARF's securities trading. There is a risk that these counterparties may fail to properly or accurately price the AFARF Units, maintain or update AFARF's or investors' investment interests, or conduct or record the securities trading of AFARF. This may result in some short term liquidity or other material constraints on AFARF or loss to AFARF Unit Holders. A risk of fraud also exists and can never be entirely eliminated. Nevertheless, this risk is mitigated by such things as segregation of functions, segregation of assets, dealing with reputable counterparties, and annual financial and compliance audits.

#### **10.17 Concentration risk**

AFARF may hold concentrated investment positions in a small number of companies and other entities. There is a risk that the performance of AFARF will be more volatile than if investments were held in a greater number and/or broader range of entities. Further, concentrated exposures have the potential to result in significant losses.

#### **10.18 Fund risk**

There are specific risks associated with AFARF, such as termination and changes to fees and expenses. The performance of AFARF or the security of your capital is not guaranteed. Your investment may not keep pace with inflation, which reduces the purchasing power of your money. There is no guarantee that the investment strategy will be managed successfully, or will meet its objectives. Failure to do so could negatively impact performance. Investing in AFARF may give different results than investing individually because of income or capital gains accrued in AFARF and the consequences of investment and withdrawal by other AFARF Unit Holders.

#### **10.19 Distribution risk**

There is a risk that the regular cash distributions from AFARF may be reduced or not made at all, depending on the income and/or general performance of AFARF.

#### **10.20 Exchange rate risk**

Currency movements relative to the Australian dollar can cause changes in the value of AFARF's investments and its ability to pay distributions.

#### **10.21 Offshore market risk**

By investing in offshore markets, AFARF may be exposed to a broad range of international risks, including political, legal and regulatory, taxation, currency, trading and settlements, and international custody and sub-custody risks. Investing in assets from less developed regions or markets display higher levels of volatility of investment return than assets in mature markets.

#### **10.22 Risk management**

AFARF's overall risk management program focuses on ensuring compliance with AFARF's constitution, its product disclosure statement and the investment guidelines of AFARF, and seeks to maximise the returns derived for the level of risk to which AFARF is exposed. Specific areas focused upon to ensure this compliance include:

**Investment universe:** Only selecting potential investments where Aurora has a good understanding of legal, regulatory and operational matters.

**Investment catalyst and exit options:** Identify an appropriate catalyst for entering into a trade, including identifying where Aurora can act as a catalyst, and identify alternate exit options for the trade.

**Investment due diligence:** Ensuring an appropriate due diligence process is conducted on each investment using both investee company provided information, externally provided data and through primary research.

**Trade:** Providing stop losses for derivative and short selling trades where applicable.

**Counterparties:** Ensure that AFARF engages and trades with reputable counterparties.

## 11. Other information

### 11.1 Modifications of, and exemptions from, the Corporations Act

Aurora as responsible entity of AFARF has not obtained from ASIC any modifications of, or exemptions from, the Corporations Act in relation to the Offer. However, ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including Aurora as responsible entity of AFARF.

For example:

- (a) ASIC class order [CO 13/521] modifies the requirement under section 636(3) of the Corporations Act that a bidder's statement may only include a statement by a person if that person has consented to that statement being included. Under the relief, a bidder may include a statement by a person in a bidder's statement without that person's consent if, among other things, the statement was made in a document that has been lodged with ASIC or ASX and the bidder's statement fairly represents the statement, identifies the document which contains the statement and states that the bidder will, on request during the bid period, provide the document to a shareholder of the target within 2 Business Days free of charge.
- (b) ASIC class order [CO 13/521] also modifies the period for a bidder to provide bid consideration under section 620(2) of the Corporations Act. Under the relief, the period runs from the time that the necessary transfer documents for the transfer of the bid securities are given to the bidder and, for an offer that is subject to a defeating condition, the period for providing bid consideration is also referable to the time that the takeover contract resulting from acceptance of the offer becomes unconditional.
- (c) ASIC Corporations (Consents to Statements) Instrument 2016/72 also modifies section 636(3). Under the relief, a bidder may include trading data references (among other things) in a bidder's statement if the trading data reflects trading on an approved financial market (such as ASX) and if the bidder's statement states, close to the trading data reference, the name of the person who prepared the trading data and that the person who prepared the trading data has not consented to the use of the reference in the bidder's statement.

### 11.2 Consents

This bidder's statement contains statements which are made, or based on statements made, in documents concerning Molopo lodged with ASIC or given to ASX. As noted above, under the terms of ASIC class order [CO 13/521], the parties making those statements are not required to consent to, and have not consented to, those statements being included in this bidder's statement. Any Molopo Shareholder may obtain a copy of those documents from Aurora during the Offer Period free of charge (and within 2 Business Days of making a request) by contacting Aurora by:

- (a) telephone on 1300 553 431 (for callers in Australia) or +61 2 9080 2377 (for callers outside Australia) from 8:30 am to 5:00 pm (Melbourne time) on Business Days; or
- (b) email ([enquiries@aurorafunds.com.au](mailto:enquiries@aurorafunds.com.au)).

Except for Aurora as responsible entity of AFARF and its directors, no person involved in the preparation of this bidder's statement or referred to in this bidder's statement as providing professional or other services to Aurora or AFARF has caused or authorised the issue of this bidder's statement, has made, purported to make or consented to any statement in this bidder's statement or any statement on which a statement in this bidder's statement is based and, to the maximum extent permitted by law, no such person takes any responsibility for any part of this bidder's statement.

### 11.3 Extent of information included

This bidder's statement is required to include all information that is known to Aurora as responsible entity of AFARF that is material to the making of a decision by a Molopo Shareholder whether or not to accept the Offer under the Bid.

Because AFARF Units are offered as Bid consideration and Aurora is the responsible entity of AFARF, this bidder's statement is also required to include all information that is known to Aurora as responsible entity of AFARF (or its directors) that might reasonably be expected to have a material influence on the decision of a reasonable person (as a retail client) whether to acquire AFARF Units.

## 12. Offer

### 12.1 The Offer

- (a) Aurora as responsible entity of AFARF offers to acquire all of your Molopo Shares together with all Rights in respect of them, on and subject to the terms and conditions set out in this Offer, for the consideration of \$0.135 for each Molopo Share.
- (b) You may elect to receive the consideration in cash and/or AFARF Units with an equivalent value.

#### **Cash consideration**

- (c) The cash consideration under all Offers is limited to \$5 million in total. If the consideration payable to accepting Molopo Shareholders who have elected to receive cash exceeds \$5 million in aggregate:
  - (1) the cash consideration to be paid by Aurora to each of those Molopo Shareholders will be proportionally scaled back, such that the total cash consideration is \$5 million (subject to rounding of individual Molopo Shareholder entitlements in accordance with the terms of the Offer), based on the amount payable to those Molopo Shareholders; and
  - (2) the balance of the consideration will be satisfied by the issue of AFARF Units with an equivalent value.

Accordingly, even if you elect to receive all of the consideration for your Molopo Shares in cash, depending on the extent to which other Molopo Shareholders elect to receive cash, you may receive consideration comprised of cash and AFARF Units.

- (d) If you would otherwise become entitled to a fraction of a cent of cash consideration as a result of your acceptance of the Offer, any such fractional entitlement will be rounded to the nearest whole cent (and where the fraction is  $\frac{1}{2}$ , the fractional entitlement will be rounded up to the nearest whole cent) **provided that** if Aurora reasonably believes that any parcel or parcels of Molopo Shares has or have been created or manipulated to take advantage of the rounding provision under this Offer, then any fractional entitlement to cash consideration arising in relation to that parcel, or those parcels, will be rounded down to the nearest whole cent so that the entitlement to cash consideration arising in relation to each parcel consists of the whole number of cents only and the fraction will be disregarded.
- (e) The nature of AFARF's assets and ability to borrow against securities held provides flexibility in relation to the sources of funding for the Bid consideration. However, at the date of this bidder's statement, it is expected that any cash component of the Bid consideration (capped at \$5 million) will be sourced from AFARF's existing uncommitted cash reserves and/or the sale of its existing investments in exchange traded securities. These sources of funding will be sufficient also to pay Aurora's expected transaction costs in relation to the Bid.

#### **AFARF Units consideration**

- (f) Subject to this section 12 and the Corporations Act, if you accept the Offer and elect to be issued AFARF Units as consideration (or you are otherwise to be issued AFARF Units e.g. because the cash consideration limit described in section 12.1(c) is exceeded), you will be entitled to be issued the number of AFARF Units calculated in accordance with the following formula:

$$\frac{(A \times 0.135) - B}{C}$$

where:

A = the number of your Molopo Shares to which the Offer relates;

B = the amount of consideration under the Offer payable to you in cash (if any);  
and



C = NAV per AFARF Unit calculated in accordance with AFARF's constitution as at the last Business Day of the month following the date on which the takeover contract resulting from your acceptance of the Offer becomes unconditional.

- (g) If you would otherwise become entitled to a fractional number of AFARF Units as a result of your acceptance of this Offer, any such fractional entitlement will be rounded to the nearest whole number (and where the fraction is  $\frac{1}{2}$ , the fractional entitlement will be rounded up to the nearest whole number) **provided that** if Aurora reasonably believes that any parcel or parcels of Molopo Shares has or have been created or manipulated to take advantage of the rounding provision under this Offer, then any fractional entitlement to AFARF Units arising in relation to that parcel, or those parcels, will be rounded down to the nearest whole number so that the entitlement to AFARF Units arising in relation to each parcel consists of the whole number of AFARF Units only and the fraction will be disregarded.

## 12.2 Offer Period

The Offer will remain open for acceptance during the period commencing on the date the first Offer is made under the Bid and ending at 7.00 pm (Melbourne time) on Friday 19 January 2018, unless withdrawn or extended in accordance with the Corporations Act.

## 12.3 Who may accept

- (a) The Offer relates to Molopo Shares on issue on the Determination Date that are not already owned by or on behalf of AFARF.
- (b) The Offer is being made:
- (1) to each person registered as a Molopo Shareholder at 9.00 am (Melbourne time) on the Determination Date; and
  - (2) to any person who becomes registered or entitled to be registered during the Offer Period as the holder of Molopo Shares to which the Offer relates.
- (c) If at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of your Molopo Shares or you are, or are entitled to be, registered as the holder of other Molopo Shares to which the Offer relates:
- (1) a corresponding Offer will be deemed to have been made to that other person in respect of those Molopo Shares; and
  - (2) a corresponding Offer will be deemed to have been made to you in respect of any remaining or other Molopo Shares you hold to which the Offer relates.
- (d) If you hold 1 or more parcels of Molopo Shares to which the Offer relates as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for a parcel, you must complete an Acceptance Form for the parcel and specify that the Molopo Shares in respect of which you are accepting consist of a separate parcel and the number of Molopo Shares in the parcel, and otherwise comply with section 653B of the Corporations Act.

## 12.4 How to accept

### **General**

- (a) Subject to section 12.3(d), you may accept the Offer only in respect of all of your Molopo Shares.
- (b) You may accept the Offer at any time during the Offer Period.

***Issuer sponsored holdings***

- (c) If your Molopo Shares are held on Molopo's issuer sponsored subregister, to accept the Offer, you must:
  - (1) complete and sign the Acceptance Form attached to or accompanying this bidder's statement (and which forms part of the Offer) in accordance with the instructions on the Acceptance Form; and
  - (2) ensure that the Acceptance Form and any documents required by the instructions on the Acceptance Form are received before the end of the Offer Period at the address indicated on the Acceptance Form.

***CHESS Holdings***

- (d) If your Molopo Shares are in a CHESS Holding and you are not a Controlling Participant, to accept the Offer:
  - (1) you may complete, sign and return the Acceptance Form in accordance with the instructions on it, whereby Aurora will be authorised to instruct your Controlling Participant on your behalf to initiate acceptance of the Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules; or
  - (2) you may instruct your Controlling Participant to initiate acceptance of the Offer in respect of your Molopo Shares in accordance with rule 14.14 of the ASX Settlement Operating Rules by the end of the Offer Period.
- (e) If you complete and sign the Acceptance Form as if your Molopo Shares were held on Molopo's issuer sponsored subregister, you will still be deemed to have authorised Aurora to instruct your Controlling Participant on your behalf to initiate acceptance of the Offer in accordance with rule 14.14 of the ASX Settlement Operating Rules.
- (f) If you are a Controlling Participant, acceptance of the Offer in respect of your Molopo Shares in a CHESS Holding must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules by the end of the Offer Period.

**12.5 Receipt of Acceptance Form**

- (a) If you are accepting by completing the Acceptance Form you should complete and sign the Acceptance Form in accordance with the instructions on it, and return it together with any necessary documents so that they are received before the end of the Offer Period at the address indicated on the Acceptance Form.
- (b) If your completed and signed Acceptance Form is returned by post, it will be taken as received before the end of the Offer Period if the envelope in which it is sent is post-marked before the end of the Offer Period (even if received by Aurora after that time).
- (c) If a copy of your completed and signed Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is returned by facsimile transmission or email, it will be deemed to be received in time if the facsimile transmission or email is received before the end of the Offer Period, but you will not be entitled to receive the Offer consideration until your original completed and signed Acceptance Form (including any documents required by the terms of the Offer and the instructions on the Acceptance Form) is received by Aurora.
- (d) The sending of the Acceptance Form and other documents is at your own risk.

**12.6 The effect of acceptance**

- (a) By completing, signing and returning an Acceptance Form or otherwise accepting the Offer or causing the Offer to be accepted in accordance with section 12.4, you will have or will be deemed to have:
  - (1) accepted the Offer in respect of all of your Molopo Shares (even if the number of Molopo Shares specified on the Acceptance Form differs from the number of your Molopo Shares);

- (2) agreed to transfer to Aurora or its nominee your Molopo Shares, subject to the Offer being declared free from the conditions set out in section 12.8 (or such conditions being satisfied or waived);
- (3) authorised Aurora to complete your Acceptance Form by rectifying any errors in or omissions from it as may be necessary to make it an effective acceptance of the Offer or to enable registration of the transfer of your Molopo Shares to Aurora or its nominee;
- (4) represented and warranted to Aurora that, both at the time of acceptance of this Offer and at the time the transfer of your Molopo Shares to Aurora or its nominee is registered:
  - (A) your Molopo Shares do not consist of several parcels of Molopo Shares except to the extent you have notified Aurora to the contrary in accordance with section 12.3(d);
  - (B) all of your Molopo Shares are, and will continue to be on registration of their transfer to Aurora or its nominee, fully paid and free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and adverse interests of any nature and restrictions on transfer of any kind;
  - (C) you have full power and capacity to accept the Offer and to sell and transfer to Aurora or its nominee the full legal and beneficial ownership of those Molopo Shares and all Rights in respect of them
  - (D) you have paid all amounts which have fallen due for payment in respect of your Molopo Shares; and
  - (E) at the time the transfer of Molopo Shares to Aurora or its nominee is registered, good title to them and the full legal and beneficial ownership of them together with all Rights in respect of them will be transferred to Aurora or its nominee free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and adverse interest of any nature and restrictions on transfer of any kind;
- (5) irrevocably appointed Aurora as your attorney to exercise all your powers and rights attaching to your Molopo Shares including, without limitation, to requisition, convene, attend and vote at all general meetings of Molopo (either in person or proxy) from the time the contract resulting from your acceptance of the Offer becomes unconditional, until the earlier of the withdrawal of your acceptance under section 650E of the Corporations Act or the end of the Offer Period or, if all of the conditions of the Offer have been satisfied or waived, the registration of Aurora or its nominee as the holder of those Molopo Shares;
- (6) agreed that in exercising the powers conferred by the above power of attorney, the attorney is entitled to act in the interest of AFARF;
- (7) agreed not to attend or vote in person at any general meeting of Molopo or to exercise or purport to exercise any of the powers conferred by the above power of attorney;
- (8) agreed to indemnify fully Aurora in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your holder identification number or securityholder reference number for your Molopo Shares or in consequence of the transfer of your Molopo Shares being registered by Molopo without production of your holder identification number or securityholder reference number for your Molopo Shares;
- (9) if you signed the Acceptance Form in respect of Molopo Shares which are in a CHESS Holding, irrevocably authorised Aurora:
  - (A) to instruct your Controlling Participant to initiate acceptance of the Offer in respect of your Molopo Shares in accordance with the ASX Settlement Operating Rules; and

- (B) to give any other instructions in relation to your Molopo Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant;
- (10) irrevocably authorised and directed Molopo to pay or provide to Aurora or its nominee, or to account to Aurora or its nominee for, all Rights in respect of your Molopo Shares **provided that** if the Offer is withdrawn or rescinded, Aurora will account to you for any such Rights received by it or its nominee;
- (11) except to the extent Aurora or its nominee has received Rights in respect of your Molopo Shares under section 12.6(a)(10), irrevocably authorise Aurora to deduct from the consideration to be provided in respect of your Molopo Shares, the value of any Rights paid or provided to you, in accordance with section 12.7(c);
- (12) irrevocably authorised Aurora to notify Molopo on your behalf that your place of address for the purpose of serving notices on you in respect of your Molopo Shares is the address specified by Aurora in the notification;
- (13) if at the time of acceptance of this Offer your Molopo Shares are in a CHES Holding, with effect from the date that either this Offer or any contract resulting from the acceptance of this Offer is declared free from all the conditions set out in section 12.8 (or such conditions are satisfied or waived), irrevocably authorised Aurora to cause a message to be transmitted in accordance with rule 14.17.1 of the ASX Settlement Operating Rules so as to transfer your Molopo Shares to Aurora's takeover transferee holding, regardless of whether at the time of such transfer Aurora has provided the consideration due to you under the Offer; and
- (14) agreed, subject to the conditions of the Offer in section 12.8 being satisfied or waived, to execute all such documents, transfers and assurances as may be necessary or desirable to transfer or otherwise convey your Molopo Shares and all Rights in respect of them to Aurora or its nominee.
- (b) Aurora may, in its sole discretion, and without any further communication to you, at any time determine that any Acceptance Form it receives is a valid acceptance, even if any of the requirements for acceptance have not been complied with.
- (c) Where you do not give with your acceptance of the Offer an additional document required by the Acceptance Form (such as a power of attorney), Aurora may treat the acceptance as valid subject to the provision of the additional document. If that document is not given within 1 month after the end of the Offer Period, Aurora may avoid the takeover contract resulting from your acceptance of the Offer.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of your Molopo Shares, Aurora may, in its sole discretion, regard the Offer to have been validly accepted in respect of those Molopo Shares, but not the remainder, and in that case Aurora will provide the consideration to you in accordance with section 12.7 in respect of the part of the acceptance determined by Aurora to be valid.
- (e) The representations, warranties and authorities referred to in this section 12.6 will remain in force after you receive the consideration for your Molopo Shares and after Aurora or its nominee becomes registered as the holder of your Molopo Shares.
- (f) Aurora may appoint and authorise any person to exercise any authority, power or right given to it under this section 12.6.

## **12.7 When you will receive the Offer consideration**

- (a) Subject to this section 12.7 and the Corporations Act, if you have accepted the Offer and the contract resulting from your acceptance becomes unconditional, Aurora will provide the consideration for your Molopo Shares (as set out in section 12.1) by the end of whichever of the following periods ends earlier:
  - (1) 1 month after the Offer is accepted or, if the Offer is subject to a defeating condition when accepted, 1 month after the takeover contract resulting from your acceptance of the Offer becomes unconditional.
  - (2) 21 days after the end of the Offer Period.

Under no circumstances will interest be paid on the consideration for your Molopo Shares under the Offer, regardless of any delay in providing the consideration due to you or any extension of the Offer.

- (b) Where the Acceptance Form requires 1 or more additional documents to be given with your acceptance (such as a power of attorney), the following provisions apply:
  - (1) If all such documents are given before or with your acceptance, Aurora will provide the consideration in accordance with section 12.7(a).
  - (2) If not all such documents are given before or with your acceptance, but they are given before the end of the Offer Period while the Offer is still subject to a defeating condition, Aurora will provide the consideration to you by the end of whichever of the following periods ends earlier:
    - (A) 1 month after the takeover contract becomes unconditional.
    - (B) 21 days after the end of the Offer Period.
  - (3) If not all such documents are given before or with your acceptance, but they are given before the end of the Offer Period while the Offer is no longer subject to a defeating condition, Aurora will provide the consideration to you by the end of whichever of the following periods ends earlier:
    - (A) 1 month after the last such document is given.
    - (B) 21 days after the end of the Offer Period.
  - (4) If not all such documents are given before the end of the Offer Period, Aurora will provide the consideration to you within 21 days after the last such document is given, but, if at the time the document is given the takeover contract is still subject to a defeating condition which relates to a circumstance or event specified in section 652C(1) or (2) of the Corporations Act, Aurora will provide the consideration to you within 21 days after the takeover contract becomes unconditional.
- (c) If you accept the Offer, Aurora is entitled to all Rights in respect of your Molopo Shares. Aurora may require you to provide all documents necessary to vest title to those Rights in Aurora or its nominee, or otherwise to give Aurora or its nominee the benefit or value of those Rights. Alternatively, Aurora will be entitled to deduct the value of all Rights paid or provided to you from the consideration otherwise due to you for your Molopo Shares. Any such deduction will reduce the consideration to which you would otherwise be entitled under the Offer. The value of the Rights will be the amount of money paid or, in the case of any Rights not paid in money, the value of those Rights as reasonably assessed by Aurora. Aurora may, without any obligation to do so, request the chairman of ASX or his or her nominee to assess the value of any Rights for the purposes of this paragraph, and any such assessment will be final and binding on Molopo Shareholders in the absence of manifest error.
- (d) The consideration offered by Aurora for your Molopo Shares under the Offer comprises cash (subject to an aggregate limit of \$5 million) and/or AFARF Units. The AFARF Units offered as consideration will be issued by Aurora fully paid and will rank equally with existing issued AFARF Units from their date of issue. Unlike Molopo Shares, AFARF Units are not quoted on ASX (or any other securities exchange).
- (e) Payment of any cash amount to which you are entitled will be made by:
  - (1) electronic funds transfer to the bank account specified by you in your Acceptance Form; or
  - (2) by cheque in Australian currency, if no bank account is specified (or if the transfer is otherwise unable to be made to the bank account you specify). The cheque will be sent to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) to your address as shown on the Acceptance Form or such other address as you may notify Aurora in writing before dispatch.

- (f) If, at the time of acceptance of this Offer or the provision of any consideration under it, any approval, authority or clearance of the Reserve Bank of Australia, the Australian Taxation Office, the Department of Foreign Affairs and Trade or another Regulator is required for you to receive any consideration under this Offer or you are a resident in or a resident of a place to which, or you are a person to whom, any law of Australia (such as the *Charter of the United Nations Act 1945* (Cth) or the *Autonomous Sanctions Act 2011* (Cth), or regulations made under that legislation) would make it unlawful for Aurora to provide you with the consideration under the Offer, then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive the consideration specified in this Offer unless and until all requisite approvals, authorities and clearances have been obtained.
- (g) At the date of this bidder's statement, Aurora is not aware of any Molopo Shareholder requiring any approval, authority or clearance referred to in section 12.7(f) in order to receive any consideration under the Offer.

## 12.8 Defeating conditions

Subject to section 12.11, the completion of the Offer and any contract that results from an acceptance of the Offer, are subject to the fulfilment of the conditions set out below.

### (a) 50.1% minimum acceptance

At the end of the Offer Period, Aurora as responsible entity of AFARF has a relevant interest in more than 50.1% (by number) of Molopo Shares on issue at that time.

### (b) Regulatory approvals

Before the end of the Offer Period, all regulatory approvals or consents that are required by law, or by any Regulator and:

- (1) are necessary to permit the Offer to be lawfully made to and accepted by Molopo Shareholders; or
- (2) as a result of the Offers or the successful acquisition of Molopo Shares by Aurora are necessary for the continued operation of the businesses of Molopo and its subsidiaries or Aurora and its subsidiaries or managed investment schemes of which it is the responsible entity;

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

### (c) No regulatory action

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) there is not in effect any preliminary or final decision, order or decree;
- (2) no action or investigation is announced, commenced or threatened; and
- (3) no application is made (other than by Aurora or its subsidiaries),

by or to any Regulator in consequence of or in connection with the Bid (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act or an application for such a determination) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or may otherwise materially adversely impact upon, the making of the Offers, the acceptance of the Offers or the completion of the acquisition of Molopo Shares or seeks to require the divestiture by Aurora of any Molopo Shares, or the divestiture of any assets by Molopo, Aurora or any subsidiary of Molopo or Aurora.

### (d) No prescribed occurrences between Announcement Date and service of bidder's statement

During the period starting on the Announcement Date and ending at the end of the day before this bidder's statement is given to Molopo, none of the occurrences listed below happens:



- (1) Molopo converts all or any of the Molopo Shares into a larger or smaller number of shares;
  - (2) Molopo or a subsidiary of Molopo resolves to reduce its share capital in any way;
  - (3) Molopo or a subsidiary of Molopo:
    - (A) enters into a buy-back agreement; or
    - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
  - (4) Molopo or a subsidiary of Molopo issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (5) Molopo or a subsidiary of Molopo issues, or agrees to issue, convertible notes;
  - (6) Molopo or a subsidiary of Molopo disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (7) Molopo or a subsidiary of Molopo charges, or agrees to charge, the whole, or a substantial part, of its business or property;
  - (8) Molopo or a subsidiary of Molopo resolves to be wound up;
  - (9) the appointment of a liquidator or provisional liquidator of Molopo or of a subsidiary of Molopo;
  - (10) a court makes an order for the winding up of Molopo or of a subsidiary of Molopo;
  - (11) an administrator of Molopo, or of a subsidiary of Molopo, is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (12) Molopo or a subsidiary of Molopo executes a deed of company arrangement; or
  - (13) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Molopo or of a subsidiary of Molopo.
- (e) **No prescribed occurrences between service of bidder's statement and end of Offer Period**

During the period starting on the day before this bidder's statement is given to Molopo and ending at the end of the Offer Period, none of the occurrences listed in section 12.8(d) happens.

(f) **No material transactions**

Except for any proposed transaction reasonably full details of which are publicly announced by Molopo before the Announcement Date, none of the following events occurs during the period starting on the Announcement Date and ending at the end of the Offer Period without the written consent of Aurora:

- (1) Molopo, or any subsidiary of Molopo, acquires, offers to acquire or agrees to acquire one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such an acquisition or acquisitions;
- (2) Molopo, or any subsidiary of Molopo, disposes, offers to dispose or agrees to dispose of one or more companies or assets (or an interest in one or more companies or assets) for an amount in any single transaction of more than \$2 million or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such a disposal;
- (3) Molopo, or any subsidiary of Molopo, enters into, offers to enter into or announces that it proposes to enter into any joint venture, partnership or dual listed company structure involving a commitment of greater than \$2 million in any single transaction or an amount in aggregate in any series of transactions of more than \$2 million, or makes an announcement about such a commitment; or

- (4) Molopo, or any subsidiary of Molopo, incurs or commits to, or grants to another person a right the exercise of which would involve Molopo or any subsidiary of Molopo incurring or committing to any capital expenditure or liability for one or more related items of greater than \$2 million, or makes an announcement about such a commitment.

**Circumstances where Aurora may consent to a material transaction**

A material transaction will not result in the non-fulfilment of this 'no material transactions' condition if Aurora consents to the transaction. If Molopo were to propose or make an acquisition described in (1) above or a commitment described in (4) above (or make an announcement about such an acquisition or commitment) and:

- (1) Molopo publicly discloses on the ASX announcements platform and to Molopo Shareholders reasonably full details about the transaction and its effect on Molopo which are accurate and not misleading and otherwise in accordance with the ASX Listing Rules and applicable law;
- (2) Molopo Shareholders approve the transaction by resolution passed by a simple majority;
- (3) entering into or completing the transaction would not contravene any ASX Listing Rule, law, statutory instrument, constitution or agreement affecting Molopo, and would not otherwise result in a breach of any of the other conditions set out in this section 12.8; and
- (4) in Aurora's view, the transaction is value accretive for Molopo and Molopo Shareholders, and would not otherwise materially impede Aurora's ability to achieve its intentions in relation to Molopo as set out in section 6;

Aurora's current expectation is that it would consent to the transaction for the purposes of this defeating condition.

(g) **No material adverse change**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no change occurs, is discovered (including where Aurora becomes aware that information publicly filed is, or is likely to be, incomplete, incorrect or untrue or misleading) or becomes public which has or could reasonably be expected to have a material adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Molopo and its subsidiaries taken as a whole.

(h) **No material failings in filings**

Aurora does not become aware, during the period starting on the Announcement Date and ending at the end of the Offer Period, that:

- (1) any document filed by or on behalf of Molopo or any subsidiary of Molopo with ASX, ASIC or any other Regulator contains a statement which is incorrect or misleading in any material particular or from which there is a material omission; or
- (2) there has been an omission by Molopo or any subsidiary of Molopo to give any material information to ASX, ASIC or any other Regulator required by the ASX Listing Rules, the Corporations Act or any other applicable law.

(i) **No persons exercising rights under certain agreements or instruments**

Before the end of the Offer Period, there is no person exercising or purporting to exercise or stating an intention to exercise any rights under any provision of any agreement or other instrument to which Molopo or any subsidiary of Molopo is a party or by or to which Molopo or any subsidiary of Molopo or any of its assets may be bound or be subject, which results, or could result, to an extent to which is material in the context of Molopo taken as a whole, in:

- (1) any money borrowed by Molopo or any subsidiary of Molopo being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;

- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of Molopo or any subsidiary of Molopo in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
- (4) the business of Molopo or any subsidiary of Molopo with any other person being adversely affected.

(j) **Conduct of Molopo's business**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, without the written consent of Aurora:

- (1) declares, or distributes any dividend, bonus or other share of its profits or assets except for a dividend by a wholly-owned subsidiary of Molopo;
- (2) alters the rights attached to any of its shares or other securities or proposes to do so;
- (3) makes any change to its constitution or passes any special resolution or proposes to do so;
- (4) gives or agrees to give any encumbrance (including a security interest or mortgage) over any of its assets otherwise than in the ordinary course of business;
- (5) increases the aggregate limit of Molopo and its subsidiaries' bank facility limit, or draws down on that facility or otherwise borrows other than in the ordinary course of the business of Molopo and its subsidiaries taken as a whole;
- (6) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
- (7) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise;
- (8) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director or manager, enters or agrees to enter into any contract for service or varies or agrees to vary any existing contract for service with any consultant or contractor or other person for the provision of the services of a director or manager or the provision of services the same as or substantially similar to those provided (or that otherwise would be provided) by a director or manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or other employee or consultant or contractor, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or other employee or consultant or contractor (except as required by law or provided under any superannuation, provident or retirement scheme as in effect on the Announcement Date);
- (9) conducts its business otherwise than in the ordinary course; or
- (10) executes a deed of company arrangement or passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to an investigation under the *Australian Securities and Investments Commission Act 2001* (Cth) or any corresponding legislation involving a contravention of the Corporations Act by Molopo or a subsidiary of Molopo.

**Appointment of additional Molopo directors**

On 25 October 2017 (the day before the date of this bidder's statement), Molopo announced the appointment of Matthew Cudmore and Baljit Johal as directors of Molopo.

Although Aurora has not been able to consider Mr Cudmore's appointment fully at this stage, subject to Aurora being satisfied that he is a suitable candidate, Aurora expects it is unlikely it would rely on the appointment of Mr Cudmore as resulting in the non-

fulfilment of the 'no additional directors' condition described in (7) above because Aurora accepts that Molopo needed to appoint an additional director who is ordinarily resident in Australia in order to comply with the Corporations Act.

However, it is unclear why Molopo also needed to appoint a finance director. Accordingly, as Aurora does not have sufficient information to assess the appointment of Mr Johal and reasons for it, at this stage Aurora has not decided whether to rely on his appointment as resulting in the non-fulfilment of the above condition. Nevertheless, if Molopo were promptly to put a resolution to Molopo Shareholders to approve the appointment of Mr Johal, and Molopo Shareholders did so, Aurora may consider waiving this non-fulfilment.

Aurora reserves all of its rights in relation to these appointments, including commencing a Takeovers Panel proceeding in respect of this frustrating action and for an order to remove Mr Johal as a director.

**(k) No break/inducement fees**

During the period starting on the Announcement Date and ending at the end of the Offer Period, none of Molopo and any body corporate which is or becomes a subsidiary of Molopo, pays or provides or agrees (whether conditionally or contingently) to pay or provide any benefit to any person, or foregoes or otherwise reduces any payment or benefit or agrees to forego or reduce any payment or benefit to which it would otherwise be entitled, in connection with any person making or agreeing to participate in, or enter into negotiations concerning:

- (1) a takeover bid for Molopo or any body corporate which is or becomes a subsidiary of Molopo; or
- (2) any other proposal to acquire any interest (whether equitable, legal, beneficial or economic) in shares in, or assets of, Molopo or any body corporate which is or becomes a subsidiary of Molopo, or to operate Molopo as a single economic entity with another body corporate;

except for a payment, benefit or agreement:

- (3) for providing professional advisory services to Molopo;
- (4) which is approved in writing by Aurora;
- (5) which is approved by a resolution passed at a general meeting of Molopo; or
- (6) which is made to, provided to, owed by or made with Aurora.

**(l) No force majeure event**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no act of war (whether declared or not) or terrorism, mobilisation of armed forces, civil commotion or labour disturbance, fire or natural disaster, or other event beyond the control of Molopo or the relevant subsidiary occurs which has an adverse effect or is likely to have an adverse effect on the assets, liabilities, financial position, performance, profitability or prospects of Molopo and its subsidiaries taken as a whole.

**(m) Non-existence of certain rights**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person has any right (whether subject to conditions or not) as a result of Aurora acquiring Molopo Shares:

- (1) to acquire, or require Molopo or a subsidiary of Molopo to dispose of, or offer to dispose of, any material asset of Molopo or a subsidiary of Molopo; or
- (2) to terminate or vary any material agreement with Molopo or a subsidiary of Molopo.

(n) **No superior alternative proposal**

No alternative proposal to the Bid is announced during the Offer Period that:

- (1) is recommended by any Molopo director; or
- (2) offers consideration that is equal or higher than the consideration offered under the Bid valued, as far as practicable, in accordance with the principles applying under section 621(3) of the Corporations Act and ASIC Regulatory Guide 9: Takeover bids.

(o) **Restriction on others acquiring shares in Molopo**

During the period starting on the Announcement Date and ending at the end of the Offer Period, no person other than Aurora or an associate of Aurora (as defined in section 12(2) of the Corporations Act) gains 10% or more of the voting power in Molopo.

(p) **Market movement (10% fall)**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) the All Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date; or
- (2) the S&P/ASX 200 Index is 10% or more below its level as at the close of trading immediately preceding the Announcement Date;

for a duration of longer than 3 consecutive ASX trading days (in the event that Molopo Shares are reinstated to quotation on ASX).

(q) **Share price movement**

During the period starting on the Announcement Date and ending at the end of the Offer Period, the closing sale price of a Molopo Share on ASX is below \$0.11 for 3 consecutive trading days.

(r) **No material litigation**

During the period starting on the Announcement Date and ending at the end of the Offer Period:

- (1) none of Molopo and any body corporate which is or becomes a subsidiary of Molopo has threatened or commenced against it any material claims or proceedings in any court or tribunal (and a claim or proceeding is taken to be material if it may reasonably result in a judgment of \$100,000 or more), other than that which has been fully and fairly publicly disclosed to ASX prior to the Announcement Date;
- (2) the consideration under the Offer is required to be increased or Aurora or an associate of Aurora is required or reasonably likely to be required to pay any amount to any one or more Molopo Shareholders in connection with the Offer as a result of:
  - (A) any litigation that is commenced, is threatened to be commenced, announced or is made known to Molopo (whether or not becoming public); or
  - (B) any preliminary or final decision or order of any Regulator or other government agency, other than as a result of Aurora publicly undertaking to increase the consideration under the Offers or Aurora lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Offers; or
- (3) the aggregate liability of Molopo and any body corporate which is a subsidiary of Molopo under or in connection with any existing claim or proceeding in any court or tribunal is or is likely to be materially more than the provision made for the claim or proceeding in Molopo's last audited annual financial statements or, if no provision has been made, is or likely to be more than \$100,000.

**(s) Divestment under Takeover Panel's orders**

None of the Molopo Shares vested in the Commonwealth in accordance with the orders made on 7 July 2017 by the Takeovers Panel in the matter of Molopo Energy Limited 03R, 04R & 05R are sold to Aurora in consequence of an Offer in respect of the shares being accepted by or on behalf of the Commonwealth in contravention of the orders (as modified or replaced).

**12.9 Nature of conditions**

- (a) The conditions in section 12.8 are conditions subsequent.
- (b) The non-fulfilment of any condition subsequent does not prevent a contract to sell your Molopo Shares from arising but, unless Aurora frees the Offer from the condition, the contract resulting from your acceptance of the Offer will become automatically void.

**12.10 Benefit of conditions**

Subject to the Corporations Act, and until the end of the Offer Period, Aurora alone is entitled to the benefit of the conditions in section 12.8 or to rely on any non-fulfilment of any of them.

**12.11 Freeing the Offer from conditions**

- (a) Aurora may free the Offer and any contract resulting from acceptance from all or any of the conditions in section 12.8 generally or in relation to any specific occurrence by giving Molopo a written notice declaring the Offer to be free from the relevant conditions or condition specified in accordance with section 650F of the Corporations Act. This notice may be given:
  - (1) in the case of a condition in section 12.8(d) or (e) (prescribed occurrences) — not less than 3 Business Days after the end of the Offer Period; and
  - (2) in the case of any other condition in section 12.8 — not less than 7 days before the end of the Offer Period.
- (b) If at the end of the Offer Period (or in the case of a condition in section 12.8(d) or (e), by the end of 3 Business Days after the end of the Offer Period), a condition in section 12.8 has not been fulfilled and Aurora has not declared the Offer (or it has not become) free from that condition, all contracts resulting from the acceptance of the Offer will become automatically void.
- (c) As noted in section 4.16(b), the Takeovers Panel has ordered that Aurora and its associates may not acquire any additional Molopo Shares before 7 January 2018. In consequence, unless that order is varied, Aurora is not able to acquire Molopo Shares under the Offer until on or after that date. Accordingly, although an Offer may be accepted by a Molopo Shareholder, the resulting takeover contract cannot become unconditional and require Aurora to acquire legal title to the Molopo Shares the subject of that contract before 7 January 2018. This means that, unless the Takeovers Panel varies its order, takeover contracts will remain subject to the conditions set out in section 12.8, and Aurora will not be able to declare the Offers free from those conditions, until at least that date.

**12.12 Notice on the status of conditions**

The date for giving the notice on the status of the conditions referred to in section 12.8 required by section 630(1) of the Corporations Act is Friday 12 January 2018 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

**12.13 Withdrawal of Offer**

- (a) The Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC consents to the Offer being withdrawn, Aurora will give notice of the withdrawal to Molopo and will comply with any other conditions imposed by ASIC.
- (b) If Aurora withdraws the Offer, all contracts resulting from its acceptance will become automatically void.



## 12.14 Variation of Offer

Aurora may vary the Offer in accordance with the Corporations Act.

## 12.15 Foreign Molopo Shareholders

- (a) This section 12.15 applies to any Molopo Shareholder whose address as shown in Molopo's register of Molopo Shareholders is in a jurisdiction other than Australia or New Zealand, unless Aurora otherwise determines after being satisfied that:
  - (1) it is not unlawful under the law of the relevant foreign jurisdiction, not unduly onerous and not unduly impracticable to make the Offer to a Molopo Shareholder in the relevant foreign jurisdiction or to provide consideration to a Molopo Shareholder on acceptance of the Offer (including by the issue of AFARF Units to such a foreign holder); and
  - (2) it is not unlawful under the law of the relevant foreign jurisdiction for such a foreign holder to accept the Offer.
- (b) If you are a foreign Molopo Shareholder to which this section 12.15 applies, despite any other term of the Offer, if you accept the Offer you will not be entitled to receive AFARF Units as consideration for your Molopo Shares, but instead Aurora will appoint a nominee for foreign Molopo Shareholders who is approved by ASIC and will arrange for the issue to the nominee of the number of AFARF Units to which you (and the other foreign Molopo Shareholders to which this section 12.15 applies and who accept the Offer) would otherwise have been entitled in accordance with the Offer.
- (c) Aurora will appoint the nominee on terms that the nominee must offer for sale those AFARF Units issued to it within 30 days from the end of the Offer Period and pay to each foreign Molopo Shareholder to which this section 12.15 applies and who accepts the Offer a proportion of the proceeds of sale less brokerage and other sale expenses equal to the proportion of the total number of AFARF Units issued to the nominee that would otherwise have been required to be issued to the foreign Molopo Shareholder. As AFARF Units are not quoted on any financial market, selling AFARF Units at fair value (or at all) may be difficult to achieve.
- (d) If you are a foreign Molopo Shareholder to which this section 12.15 applies, by accepting the Offer you will have or will be deemed to have:
  - (1) authorised Aurora to appoint a nominee to sell AFARF Units and distribute the net proceeds of sale to you and other foreign Molopo Shareholders, and to issue to the nominee AFARF Units, in accordance with this section 12.15; and
  - (2) appointed Aurora as your agent to receive any financial services guide or other document that the nominee and/or its broker may provide under the Corporations Act in connection with the sale of the AFARF Units or the application or distribution of the proceeds of sale.
- (e) Aurora is not under any obligation to spend any money, or undertake any investigation or other action, in order to satisfy itself of the eligibility of a foreign Molopo Shareholder to receive AFARF Units as consideration for the holder's Molopo Shares.
- (f) For the avoidance of doubt, sections 12.7 (e) and (f) apply to any cash amount due to you under this section 12.15.

### ***New Zealand warning statement***

The Offers to New Zealand investors are regulated offers made under Australian and New Zealand law. In Australia, this is chapter 6 of the Corporations Act and regulations made under that Act. In New Zealand, this is subpart 6 of part 9 of the Financial Markets Conduct Act 2013 and part 9 of the Financial Markets Conduct Regulations 2014.

The Offers and the content of the offer document (i.e. this bidder's statement) are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and the regulations made under that Act set out how the Offers must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to the Offers made to New Zealand investors. If you are a New Zealand investor and need to make a complaint about this Offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The dispute resolution process described in this bidder's statement is available only in Australia and is not available in New Zealand.

#### **12.16 No stamp duty or brokerage**

No stamp duty is payable on the transfer of your Molopo Shares to Aurora or its nominee. No brokerage is payable by you on acceptance of the Offer. However, if your Molopo Shares are held in a CHESS Holding or you hold your Molopo Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the Offer.

#### **12.17 Governing Law**

The Offer and any contract that results from your acceptance of the Offer are governed by the laws in force in Victoria.

#### **12.18 Date of Offer**

The Offer is dated, and opens on, 9 November 2017.

## 13. Glossary

### 13.1 Definitions

Set out below are terms used in this bidder's statement and in the Acceptance Form and their definitions (unless the context otherwise requires):

Term	Definition
<b>Acceptance Form</b>	the acceptance form attached to or accompanying this bidder's statement
<b>AFARF</b>	Aurora Fortitude Absolute Return Fund ARSN 145 894 800
<b>AFARF PDS</b>	replacement product disclosure statement no. 4 dated 24 October 2017 for AFARF issued by Aurora (as amended or supplemented) or any further replacement product disclosure statement for AFARF (as amended or supplemented), as the context requires
<b>AFARF Unit</b>	a fully paid unit in AFARF
<b>AFARF Unit Holder</b>	a holder of AFARF Units
<b>AFSL</b>	an Australian financial services licence issued under the Corporations Act
<b>All Ordinaries Index</b>	the All Ordinaries Index (for share prices) published by Standard & Poor's in respect of ASX-listed entities
<b>Announcement Date</b>	the date on which AFARF announced to ASX its intention to make the Bid, namely 12 September 2017
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited or the securities market operated by ASX Limited called the Australian Securities Exchange, as the context requires
<b>ASX Listing Rules</b>	the listing rules of ASX
<b>ASX Settlement Operating Rules</b>	the operating rules of CHESS which are known as the ASX Settlement Operating Rules
<b>Aurora</b>	Aurora Funds Management Limited ABN 69 092 626 885 as responsible entity of AFARF, in its personal capacity or in any other capacity, as the context requires
<b>Australia</b>	Australia including her external territories
<b>Bid</b>	the takeover bid under chapter 6 of the Corporations Act whereby Aurora as responsible entity of AFARF offers to acquire all Molopo Shares on the terms set out in section 12
<b>Business Day</b>	a day which is not a Saturday, Sunday or bank or public holiday in Melbourne
<b>CHESS</b>	the electronic transfer, settlement and registration facility operated by ASX Settlement Pty Limited which is known as the Clearing House Electronic Subregister System or CHESS
<b>CHESS Holding</b>	a holding of securities on Molopo's CHESS subregister
<b>Controlling Participant</b>	as defined in rule 2.13.1 of the ASX Settlement Operating Rules
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth) as modified by any relevant exemption or declaration by ASIC
<b>derivative</b>	a financial instrument whose price or value is dependent upon or derived from one or more underlying assets or things e.g. shares, bonds, commodities, currencies, interest rates or market indices. Examples include options contracts, futures contracts, options on futures contracts, and swap agreements
<b>Determination Date</b>	the date set by Aurora under section 633(2) of the Corporations Act in relation to the Offer, namely 27 October 2017

Term	Definition
<b>Encumbrance</b>	an encumbrance or security interest including but not limited to a mortgage, fixed charge, floating charge, pledge, lien, conditional sale agreement, hire or hire purchase agreement, option, restriction as to transfer, use or possession, easement or a subordination to a right of a person or an adverse or competing interest of another person
<b>futures contract</b>	a derivative in the form of an agreement to buy or sell a specified quantity of an underlying asset, such as bank bills, at a particular time in the future and at a price agreed when the contract was executed
<b>GST</b>	goods and services tax
<b>hedge</b>	an investment made in order to reduce the risk of adverse price movements in another investment
<b>IDPS</b>	an investor directed portfolio service or like scheme, including a master trust or wrap account
<b>liquidity</b>	the ability of an investment to be easily converted into cash with little or no loss of capital and minimum delay
<b>Molopo</b>	Molopo Energy Limited ABN 79 003 152 154
<b>Molopo Share</b>	a fully paid ordinary share in Molopo
<b>Molopo Shareholder</b>	a holder of Molopo Shares
<b>NAV or Net Asset Value</b>	the total value of AFARF's investment portfolio and other assets (but not application money or property in respect of which AFARF Units have not yet been issued, proceeds of redemption which have not yet been paid or an amount in a distribution account), less all present liabilities of AFARF including any provision which Aurora decides should be taken into account in determining the liabilities of AFARF
<b>NAV per AFARF Unit</b>	NAV divided by the total number of AFARF Units
<b>Offer</b>	an offer to acquire Molopo Shares under the Bid as contained in section 12
<b>Offer Period</b>	the period for which Offers are open for acceptance in accordance with section 12.2
<b>Registry Direct</b>	Registry Direct Limited ABN 35 160 181 840
<b>Regulator</b>	a government, a governmental, semi-governmental, administrative, fiscal, public, statutory, regulatory or judicial authority, agency, body or other entity, a non-governmental regulatory entity or the operator of a securities or other financial market, in any jurisdiction whether federal, state, local or territorial
<b>Rights</b>	all accretions, rights or benefits of whatever kind attached or attaching to or arising from or in respect of the Molopo Shares directly or indirectly at or after the Announcement Date including, without limitation, all dividends (and any attaching franking credits) and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Molopo or a subsidiary of Molopo
<b>S&amp;P/ASX 200 Index</b>	the S&P/ASX 200 Index (for share prices) published by Standard & Poor's in respect of ASX-listed entities
<b>short selling</b>	selling a security you do not own, usually in an attempt to profit from a decrease in the value of the security
<b>volatility</b>	the measure of a security's (or market's) stability and is a measure of risk based on the standard deviation of the asset return. It is an important measure in quantifying risk; for example, a security/market with a higher volatility relative to another is considered to be a higher risk because it has the potential to increase or decrease more of its value

### **13.2 Interpretation**

In this bidder's statement and the Acceptance Form, headings and bold typing are included for convenience only and do not affect interpretation and, unless the context otherwise requires:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a gender includes any gender;
- (c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (d) a term which refers to a person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture, a sovereign state, a government or a government department or agency;
- (e) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;
- (f) a reference to a section, annexure, schedule or other part is a reference to an item of that type in this bidder's statement;
- (g) a reference to a statute or regulation or a provision of a statute or regulation is a reference to that statute, regulation or provision as amended or a statute, regulation or provision replacing it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws made or issued under that statute;
- (h) a reference to writing includes email and facsimile transmission;
- (i) a reference to a time is a reference to Melbourne time;
- (j) a monetary reference is a reference to Australian currency;
- (k) a reference to a subsidiary in relation to a person includes an entity controlled by that person; and
- (l) a word or term defined in the Corporations Act has the same meaning in this bidder's statement and the Acceptance Form.

### **13.3 Your Molopo Shares**

In this bidder's statement and in the Acceptance Form, unless the context otherwise requires, a reference to your Molopo Shares means the Molopo Shares to which the Offer relates:

- (a) which you are the registered holder of at 9.00 am (Melbourne time) on the Determination Date; or
- (b) which you become registered, or entitled to be registered, during the Offer Period as the holder of; or
- (c) to which you are able to give good title at the time you accept the Offer during the Offer Period.

## Approval of bidder's statement

This bidder's statement has been approved by a resolution passed unanimously by the directors of Aurora Funds Management Limited.

**Dated:** 26 October 2017

**Signed** for and on behalf of **Aurora Funds Management Limited** as responsible entity of the **Aurora Fortitude Absolute Return Fund**

A handwritten signature in black ink, appearing to read 'John Patton', with a stylized, flowing script.

**John Patton**  
Managing Director



## Corporate directory

**Aurora Funds Management Limited** ABN 69 092 626 885  
as responsible entity of the **Aurora Fortitude Absolute Return Fund** ARSN 145 894 800

### Registered office

Suite 613, Level 6  
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### Directors

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Betty Poon  
Jeffrey Schwarz

### Lawyers

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### Unit registrar

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Melbourne VIC 3000