

Aurora Fortitude Absolute Return Fund (AFARF)

Performance¹

	1 month	3 months	FYTD
Aurora Fortitude Absolute Return Fund*	-1.82%	-5.28%	-5.28%
Benchmark	0.30%	0.90%	1.83%
Outperformance	-2.12%	-6.18%	-7.11%

*Please refer to Fund Update

Investment Objective

The Aurora Fortitude Absolute Return Fund ("Fund") seeks to achieve absolute returns and income through the use of several different investment strategies. The focus on absolute returns differs from traditional funds in that the Fund aims to produce positive returns regardless of equity market conditions or global market indices.

Investment Strategy

The Fund seeks to take advantage of market mispricing and arbitrage opportunities using a diverse range of investment strategies. The Responsible Entity of the Fund researches various criteria for each investment, including fundamental and quantitative analysis, company event situations such as takeovers and mergers, earnings announcements, demergers and restructuring, liquidity events, recapitalisations, multiple share classes, option availability and pricing.

The Fund will invest in opportunities that are considered to offer attractive risk return characteristics with a focus on potential catalysts that seek to generate a profitable return regardless of the market direction. The Fund may use derivatives for risk management as well as to create new positions and may opportunistically short sell securities that may be overpriced or to reduce risk on the overall portfolio.

Portfolio Position Analysis

Number of Positions

Long	4
Short	0

Top Portfolio Holding (as at 31 December 2025)

Name ASX Code

Molopo Energy Limited	MPO
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Fund Overview

APIR Code	AFM0005AU
NAV per Unit	\$0.0323
Structure	Fund
Investment Style	Value/Special Situation
Inception Date	28 February 2005
Management Fee (incl.GST)	1.49%
Performance fee (incl.GST)	20.5%
Buy / sell spread	+/- 0.02%
Entry / Exit fees	Nil
Benchmark	RBA Cash Rate
Distributions	2.0%^pa, semi-annually

Fund Update**Molopo Energy Limited**

AFARF holds an investment in the ordinary shares of Molopo Energy Limited (ASX: MPO), which was suspended from trading on the Australian Stock Exchange (ASX) on 27 July 2017 and later removed from the Official List of ASX at the close of trading on 1 April 2021 under Listing Rule 17.12.

On 1 February 2019, Aurora announced that the fair value of the holding in Molopo had been reduced from 2.6 cents per share to 1.9 cents per share, based on material information which had come to light between 27 September 2018 and 1 February 2019. On 2 September 2019, Aurora announced that the fair value of the holding in Molopo had been further reduced to 1.5 cents. On 30 October 2019, Aurora announced that the fair value had been further reduced to 0.9 cents. On 6 February 2020, Aurora announced that the fair value had been further reduced to 0.5 cents. On 31 August 2020, Aurora announced that the fair value had been further reduced to 0.4 cents.

On 25 February 2021, Molopo released its Quarterly Cash Flow Statement for the quarter ended 31 December 2020. Based on the information contained in this Quarterly Cash Flow Statement, Aurora reassessed the carrying value of AFARF's investment in Molopo and decided to write the value of its investment down from 0.4 cents to nil.

On 17 December 2021, Molopo advised (on its website) that it had settled its legal action against the former Molopo directors for A\$12 million, which equates to 4.8 cents per Molopo share (based on a total of 249,040,648 Molopo shares on issue). Whilst AFARF has a relevant interest in 31,858,152 Molopo shares, equating to \$1.5 million (at 4.8 cents per Molopo share), Aurora did not propose to adjust the nil carrying value of AFARF's investment in Molopo until the outcome of the outstanding Canadian litigation was known.

On 14 July 2022, the Takeovers Panel varied the orders in Molopo Energy Limited 03R, 04R & 05R to stay the sale of the vested Molopo shares until the Canadian Court Proceedings are resolved and any appeal rights have lapsed or Molopo provides notice to shareholders to convene a meeting to pass a resolution to voluntarily wind up the company pursuant to section 491 of the Corporations Act 2001 (Cth) or to undertake any other transaction that will result in the winding up of Molopo.

On 3 April 2025, Molopo released its audited financial statements for the year ended 31 December 2024, which stated that the Canadian legal action with 31005682 Nova Scotia ULC ('310') had been settled during the reporting period, resulting in a contribution of AUD6.725 million (CAD6 million) towards the settlement by the Company payable to 310 as Plaintiff and granting an option to 310 to purchase all of the issued and outstanding shares of Molopo Canada (MECL) for \$1.00. Separately, Molopo has initiated proceedings against Renergen Limited (ASX: RLT) seeking the immediate and full repayment of a RAND 50 million (AUD 4.3 million) loan together with outstanding interest and costs which has been recognised as a loan receivable in Molopo's financial statements.

It is important to note, Renergen have recognised a liability for the loan owing to Molopo, with the dispute being around the timing of the loan repayment.

As at 31 December 2024, Molopo had a total of 249,040,648 shares on issue, with AFARF holding a relevant interest in 31,858,152 Molopo shares.

Adjusting for the uncertainty associated with the Renergen receivable, set out below is a range of potential values for AFARF's holding in Molopo:

Audited Accounts – 31 Dec 24	Renergen Receivable 100% Option A	Renergen Receivable 50% Option B	Renergen Receivable 0% Option C
Net Assets	\$11.631m	\$9.481m	\$7.331m
MPO NTA (cents/share)	4.67	3.81	2.94
MPO Value in AIB (12.772m shares)	\$0.596m	\$0.487m	\$0.375m

As Molopo was delisted from the ASX on 1 April 2021, there is no active market in which to trade the securities. Molopo's other assets, aside from the Renergen receivable, consist largely of cash which is invested in term deposits (earning interest). The Renergen loan accrues interest at the prime lending rate plus 2% (equating to 13% pa, per the audited financial statements for Renergen for the year ended 28 February 2025). In addition, Molopo receives a royalty stream associated with a gold deposit currently being mined by Ramelius Resources Limited (ASX: RMS). The income from the royalty stream and interest on the Renergen loan is currently sufficient to meet Molopo's operating costs. Consequently, with the interest being generated on the term deposits, there is no need to conduct a DCF on the remaining Molopo assets.

Aurora management considers Option B to be a reasonable basis on which to recognise a value for AFARF's holding in Molopo and proposes to adjust the carrying value of its investment in Molopo to \$1.212 million.

The fair value of the Molopo Investment is based on significant estimates and judgements adopted by the Board of Aurora based on all available information about Molopo as at the current date.

The Aurora Board considered the range of possible values and determined that the fair value of the Molopo investment held by the Fund should now be valued at \$1.212m.

As more information is released by Molopo, including the outcome of the Renergen dispute, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

Aurora Property Buy-Write Fund (AUP) holding.

The Fund also has an indirect exposure to Aurora Property Buy-Write Fund through its significant holding in AUP. This investment was valued by AUP's end of month Net Tangible Asset (NTA) of \$0.00.

Significant Holding via investments in RNY Property Trust

RNY Property Trust (RNY) is an Australian unlisted property trust with five (5) commercial property assets located in the tri-state area of New York, USA, with 3 properties located in Long Island and 2 properties located in Westchester County, collectively having 830,000 sq feet of lettable office space. Huntley Management Limited is the responsible entity for RNY and Aurora Funds Management Limited is the investment manager.

In August 2021, RNY's US lender to RNY Australia Operating Company (US LLC), ACORE Capital ('the Lender'), advised that it would not extend the Loan facility through to October 2022, as contracted, as the Lender considered that documents relating to the net worth test were not administratively executed to its satisfaction and constituted an event of default. Aurora refutes the position adopted by the Lender and notes that the Lender nonetheless continues to rely upon the documents.

In late 2022, the Lender took steps to enforce its security by seeking to commence foreclosure action, seeking to appoint a receiver, and selling the mezzanine debt in the US properties through a Uniform Commercial Code (UCC) auction process. ACORE also advised that default interest of circa US\$11 million was due under the loan, however provided no formal paperwork to support this was claim. The UCC auction process was ultimately cancelled after RNY's related entity, RAOC, acquired the mezzanine debt and paid the associated fees (circa US\$1 million).

In March 2023, the Supreme Court of the State of New York County of Nassau (in Long Island) appointed a Rent Receiver over the five RNY properties, being a party independent of the party nominated by the Lender. The Rent Receiver posted a bond and filed an Oath with the Court around 11 April 2023, thereby formalising his appointment. Notwithstanding this appointment, CBRE continues to manage the RNY properties.

Based on recent discussions with the Rent Receiver:

- The strong leasing activity and Letters of Leasing Intent at Tarrytown prior to the Rent Receivers appointment, as mentioned in the last Fund Update of 23 February 2023, have not materialised and no new leases have been executed since March 2023; and
- The Rent Receiver's remuneration is based on a % of cash receipts and expenditures (including operating costs and capital expenditure) rather than a time-based arrangement.

Aurora denies that the Group was in breach of the loan obligations and continues to defend the enforcement actions taken by the Lender. In the meantime, the additional expenses associated with the Rent Receiver represent a permanent diminution in value for RNY unitholders.

RNY owns 100% of RNY Australia LPT Corp (Maryland REIT) which in turn owns 75% of RNY Australia Operating Company LC (US LLC), which in turn owns the five RNY properties in separately held subsidiaries. Aurora and parties associated with it, including its Funds, own 79.9% of the units in RNY, with Keybridge Capital Limited (ASX: KBC) holding 17.3% and the remaining unitholders holding 2.8%.

Since the last Fund Update, attempts have been made to resolve the deadlock situation with the Lender. Until this matter is satisfactorily resolved, and a new debt facility can be agreed, there is significant uncertainty regarding the valuation of the subordinated loans and equity interests in RNY.

The Lender has, on several occasions, expressed interest in taking over ownership of the RNY properties, however, has stated that it would only be prepared to offer token consideration.

Based on the uncertainty created by the Lenders actions as outlined above, including unsupported claims for default interest, the Aurora Board considers it appropriate to fully impair to nil the carrying value of its equity investments in RNY and the subordinated loans it has advanced to RAOC, until such time as the impasse with the Lender can be resolved.

The fair value of the RNY equity investments and subordinated loans is based on significant estimates and judgements adopted by the Board of Aurora based on all available information about RNY as at the current date. The Aurora Board is aware of the material impact this decision will have on Aurora and its Funds.

Further, Aurora notes that RNY's second largest unitholder, Keybridge, has fully impaired the carrying values of its 17.3% equity investment in RNY as well as the subordinated loan it advanced to RAOC (which was used to acquire the mezzanine debt in the US properties). Keybridge has stated that the recoverability of its interests in RNY is dependent upon the prevailing market value of the underlying US properties less the senior debt. Further, given the state of the broader market, expectations on property values and the status of the dispute with RNY's Lender, Keybridge considers its subjective valuation to be appropriate.

The Aurora Board considered the range of possible values and determined that the fair value of the RNY equity investments and subordinated loans held by Aurora and its Funds should now be valued at nil. Aurora will continue to pursue its options to resolve the deadlock with the Lender.

Redemptions

Given the uncertainty created by the abovementioned matters, where applicable, Aurora considers it prudent to maintain a temporary hold on Redemptions until the outcome of the above two (2) matters is known.

About Aurora

Aurora Funds Management Limited ("Aurora") is the Responsible Entity of the Fund. Aurora is an Australian based alternative asset manager that specialises in managing absolute-return strategies for high net worth, retail, and institutional investors. Aurora utilises a value-orientated approach to select suitable investments that aim to provide investors with positive risk-adjusted returns that are independent of benchmarks or investment cycles.

Aurora is also the Responsible Entity of the:

- Aurora Absolute Return Fund (ABW)
- Aurora Dividend Income Trust (APIR Code: AFM0010AU)
- Aurora Global Income Trust (AIB)
- Aurora Property Buy-Write Income Trust (AUP)
- HHY Fund (HHY)

For further information, please contact:

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1. This number represents a cumulative return and assumes reinvestment of distributions and is generated with compounded monthly returns/net of fees.
^2.0% pa of distributable taxable income.

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