

30 October 2019

ASX Limited
Level 6, Exchange Centre
20 Bridge Street
Sydney NSW 2000
Attention: Company Announcements

AURORA GLOBAL INCOME TRUST
ASX CODE: AIB

Aurora Funds Management Limited (“Aurora”) provides the following valuation update in respect of the Aurora Global Income Trust (“AIB”).

Valuation of Molopo Energy Limited shares

AIB holds an investment in the ordinary shares of Molopo Energy Limited (ASX: MPO), which was suspended from trading on the Australian Stock Exchange on 27 July 2017 and remains suspended as at the date of this update.

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, Molopo released its Quarterly Cash Flow Statement for the quarter ended 30 September 2019. Based on the information contained in this Quarterly Cash Flow Statement, Aurora has reassessed the carrying value of its investment in Molopo and has decided to write the value of its investment down from 1.5 cents to 0.9 cents. The rationale for this decision is summarised below:

- Today, Molopo’s primary assets comprise its cash reserves and its investment in Drawbridge. Molopo has advised that the cash reserves at 30 September 2019 amounted to \$11.6 million, however no guidance has been provided as to the carrying value of the Drawbridge Investment. Based on the structure of the Drawbridge investment, whereby Molopo has a 30% holding in a foreign private company with no voting rights and only a limited ability to appoint a director, it is difficult to ascribe any value to this investment – based on the information that has been released to date. As such, for the purpose of valuing its investment in Molopo, Aurora continues to place nil value on the Drawbridge investment. Aurora notes that this treatment is consistent with the approach adopted by the current directors of Molopo. The Directors’ Report contained in Molopo’s Annual Report for the year ended 31 December 2018 states:

The Current Directors have serious concerns ascribing any value to the Company interest in Orient and the 30% non-voting interest in Drawbridge. After undertaking investigations and seeking external advice, as at the date of this report, the Current directors’ assessment of the oil and gas exploration and production assets held by Drawbridge is that their value is less than the value implied by the Orient/Drawbridge Transactions and that there is little chance that they will deliver any meaningful value for Molopo in the near future. As such, the Current Directors have fully impaired the investment in Drawbridge in the amount of US\$35M (AU\$46M).

With the objective of recovering as much value as possible for Molopo shareholders, the Current Directors are vigorously pursuing legal proceedings against former directors of the Company responsible for entering into these transactions to hold them accountable for breaches of their director’s duties. Molopo and Orient are also pursuing proceedings against Drawbridge seeking amongst other things orders to prevent the dissipation of funds from Drawbridge, all of which were advanced by Molopo, and to obtain reliable financial reports as to the financial position of Drawbridge

and its projects as required to be provided under the Contribution Agreement.

Drawbridge Operations

Draft and unaudited financial statements provided by Drawbridge indicated a remaining cash balance as of 30 June 2018 or approximately US\$8.5M and subsequent information suggests that as at 31 December 2018 the remaining cash balance is approximately US\$1.6M. If these financial statements are accurate, which the Current Directors have been unable to verify given that Drawbridge has not provided any supporting bank statements or other reliable evidence, then Drawbridge has, since February 2018, spent in excess of US\$9.5M of the capital contributed by Molopo at 30 June 2018 and in excess of US\$16.4M as at 31 December 2018, on acquiring interests in oil and gas projects or properties and operating expenses including management and consulting fees paid to Drawbridge management and their related entities.

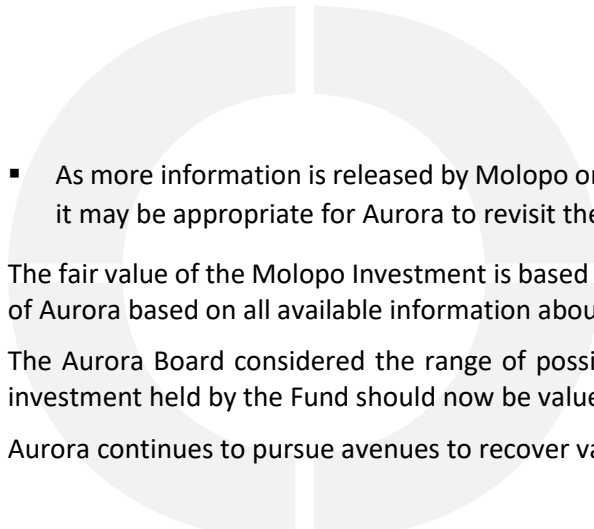
- Molopo's primary liability relates to a long-standing legal action in Canada concerning the Company and Molopo Energy Canada Ltd ("MECL"), a wholly owned subsidiary of the Company. As the financial statements for the half-year ended 30 June 2019 have not yet been released by Molopo, the annual audited financial statements for the year ended 31 December 2018 remain the most recent financial statements released by Molopo, which were released by Molopo on 7 May 2019. In those financial statements, the long-standing provision of A\$8.6 million has been removed, with the following commentary being provided:

In March 2011, MECL was served with a statement of claim by a former joint venture partner (3105682 Nova Scotia ULC) "310 ULC" claiming MECL breached various agreements relating to the relevant joint venture, including breach of fiduciary duties, trust and good faith. 310 ULC has sought declarations, accountings, damages of 25% revenue, C\$35.0 (A\$35.9) million general damages, C\$1.0 (A\$1.0) million punitive and aggravated damages, interest, GST and indemnity costs.

Subsequent to the filing of the statement of defence, the Company undertook an extensive examination of the transactions that gave rise to the amounts in dispute. This examination resulted in the Company applying a provision in the accounts in 2012 of a net C\$5.0 (A\$5.1) million. In early 2013, the JV Partner settled a counterclaim by making a payment of C\$3.4 (A\$3.5) million to the Company, at which time the Company increased the provision to C\$8.4 (A\$8.6) million.

During the current reporting period the Directors have reconsidered the circumstances that gave rise to recognition of the provision. A significant amount of time has passed since the provision was brought to account with limited progress on the claim. The Directors have reviewed the current status of the claims as provided by its lawyers and based upon this status update, the time elapsed and the limited progress made in the proceedings, they have taken the view that the amount of the provision can no longer be reliably measured, and therefore no longer meets the recognition criteria for a liability. Based on these findings, the Directors have reversed the provision and fully disclosed the claims as a contingent liability.

- Molopo currently has 249,040,648 ordinary shares on issue;
- Based on the above, Aurora considers the appropriate carrying value of its investment in Molopo to be 0.9 cents, calculated as follows:
 - cash reserves of \$11.6 million; less
 - litigation provision of \$9.3 million, being the Australian dollar equivalent of \$8.4 million Canadian dollars. In the Molopo financial statements for the year ended 31 December 2018 this provision has been removed as a liability in the balance sheet and disclosed as a contingent liability. For the purpose of this valuation it assumed that this liability has been incurred and will be paid;
 - divided by 249,040,648 ordinary shares on issue; which
 - equates to a value of 0.9 cents per share.

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- As more information is released by Molopo on the Drawbridge investment as well as the Canadian litigation, it may be appropriate for Aurora to revisit the carrying value of its Molopo investment.

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 0.9 cents.

Aurora continues to pursue avenues to recover value that has been lost by the former directors of Molopo.

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