

Aurora Global Income Trust

Resumption of Off-market Redemptions & Antares Convertible Note Update

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

Antares Convertible Note Update

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

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

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

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

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

- STXRA concluded that Antares, given its financial situation and inaction on its leases, would probably tend more towards lower end of liquidation pricing;
- STXRA also noted that “due to Antares lease position falling apart and the recent lower price per acre metrics, it appears that this asset will tend to the lower values”;
- The STXRA valuation range excludes any other liabilities and costs that need to be satisfied by the Administrator;
- The Trust holds circa 1.0% of the AZZG Notes, thereby bringing the valuation range (before other liabilities and Administration costs) to circa AUD\$12.5K to AUD\$156.7K;
- Antares has been trying to sell the asset for a number of years, with no sale forthcoming; and
- The external valuation is based on the value of the acreage, so any costs of administration would need to be paid first.

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

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

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

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

Resumption of off-market Redemptions

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

Further information

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

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