AFM PERSEUS
FUND LIMITED

ABN 71 087 023 612

Annual Report

for the Year ended

30 June 2017

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2017

TABLE OF CONTENTS

CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2017

Directors

Mr Garry Cossill - Non Executive Chairman
Mr Edward G. Rigg - Executive Director
Mr Michael J. Price – Executive Director

Company Secretary

Mr Michael J. Price

Investment Advisory Committee

Mr Craig Burton – Chairman
Mr Edward G. Rigg
Mr Kevin Johnson

Registered Office

Level 30
Allendale Square
77 St Georges Terrace
Perth WA 6000

Telephone: +61 8 9224 6888
Facsimile: +61 8 9225 5511

Share Registrar

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Telephone: +61 8 9315 2333
Facsimile: +61 8 9315 2233

Manager

AFM Zeus Pty Ltd
a corporate representative of
Argonaut Funds Management Pty Ltd
AFSL No 224815

Legal Advisers

SteinepreisPaganin
Level 4
16 Milligan Street
Perth WA 6000

Auditors

Bentleys
Level 3
216 St Georges Tce
Perth WA 6000

CHAIRMAN'S LETTER

30 October 2017

Dear Shareholder,

On behalf of the Board of AFM Perseus Fund Limited ("the Fund"), I present the Annual Report for the financial year ended 30 June 2017 ("2017 Financial Year").

The 2017 Financial Year saw the Fund record a profit after tax of $26,150. This is an improvement on the 2016 Financial Year loss of $8,059.

The Small Cap Resources Index remained relatively flat throughout financial year 2017 with the index finishing at 3,397 reflecting a decrease of 0.59% for the year. The index reached a low of 3,187 on 5 May 2017. Commodity prices for the 2017 financial year were generally higher with copper up 20.9%, nickel down 5.8%, zinc up 28%, iron ore up 13.7%, Newcastle coal up 40% and gold down 7.4%. Most commodity prices were at their lowest early in the 2016 calendar year and have moved off their lows. This improvement was largely reflected in the base metals (zinc and copper), coal and lithium space which the fund had a very limited exposure to. Further the fund is somewhat restricted in its ability to take advantage of new investment opportunities until it can crystallise some of its existing investments.

For the 12 months ended 30 June 2017 the Fund's Net Asset value per share was $0.4086 (2016 $0.4032) an increase of 3.1%.

The Board's view regarding the market and with respect to the small cap resources sector generally remains unchanged. The Fund will continue to look for opportunities that represent exceptional prospects for value and growth. During the year, in accordance with that view, the fund continued to deploy its cash reserves to enable it to maintain an active investment outlook. At the end of the financial year the Fund's cash balance stood at $16,907 as against a balance of $1,779 at the end of the 2016 financial year.

The Fund continued to track performance broadly in line with its larger shareholdings. It has sold its holding in Venturex Limited and is continuing to seek opportunities to sell down its holdings in underperforming Acacia Coal Limited. Where it does so the capital realised has been and will continue to be re-invested in emerging opportunities.

The Australian Dollar has been relatively stable throughout the year, remaining at levels in the $0.72 to $0.77 range. The average AUD/USD exchange rate during the year was $0.75. The Reserve Bank cash rate reduced from 1.75% to a new record low of 1.5% from August 2016 and remained at that level for the remainder of the current financial year.

On behalf of the Board of Directors, I thank you for your continued support throughout the year.

L.D. Cossill

GARRY COSSILL
Chairman

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Your Directors present their report on the Company for the year ended 30 June 2017.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Garry Cossill	Appointed 9 November 2005
Edward Rigg	Appointed 18 October 2005
Michael James Price	Appointed 23 October 2015

The Directors as at 30 June 2017 are Garry Cossill (Non-Executive Chairman), Edward G. Rigg (Executive Director) and Michael Price (Executive Director).

Mr Garry Cossill – Non-Executive Chairman

Mr Cossill is a qualified civil engineer whose career in the property and investment industry spans over 40 years. He was a director for 10 years of Sinclair Knight Merz Pty Ltd, one of Australia's largest consulting engineering firms and subsequently a co-founding director of Cossill & Webley Pty Ltd, a Western Australian consulting engineering firm specialising in major property developments.

Mr Cossill is currently a director and major shareholder of Sunrise Beach Resort Pty Ltd, a company that has developed the award winning $30m Novotel Ningaloo Resort in Exmouth. Mr Cossill has also been a long term investor in emerging resource companies.

Edward G. Rigg - Executive Director

Mr Rigg is the Deputy Chairman of the Argonaut Group of companies (Argonaut). He has some 25 years' experience in the investment banking industry covering corporate advisory, stockbroking and principal investment. Prior to co-founding Argonaut with Mr Charles Fear in 2002, Mr Rigg was a senior executive of global investment bank, CIBC World Markets and before that, a substantial shareholder and director of Perth based stockbroking firm, D.J. Carmichael & Co.

Mr Rigg has a Bachelor of Business Degree from Curtin University and a Diploma of Finance. Mr Rigg is a member of the Australian Institute of Company Directors, a Responsible Manager under the Australian Financial Services regime, a Responsible Executive under the ASIC Market Integrity Rules and a Responsible Officer for Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Corporate Finance) regulated activities in Hong Kong.

In June 2010 Mr Rigg successfully completed the 'Leading Professional Service Firms' course at Harvard Business School.

Michael Price – Executive Director

Mr Price is the Chief Operating Officer of the Argonaut Group of companies. He has in excess of 25 years' experience in the finance, risk and professional services sectors. Previous roles have included C.O.O. and Chair of the Investment Committee for an Australian Funds Management business and Head of a number of divisions at Westpac Banking Corporation including Specialised Finance, Property Finance, Business Banking, Cash & Transactional Solutions and Credit Risk areas. Mr Price is / has been a director of a number of private and publicly listed entities.

Mr Price has a Bachelor of Economics Degree (BEc) and a Masters of Business Administration (MBA) from the University of Western Australia, a Graduate Diploma in Applied Finance & Investment and a Graduate Diploma from the Australian Institute of Company Directors (FAICD).

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Meetings of Directors

During the financial year, one meeting was held. Attendances were:

	Number eligible to attend	Number attended
Garry Cossill	1	1
Edward Rigg	1	1
Michael Price	1	1

Operating Results

The Company incurred an after tax profit for the year ended 30 June 2017 amounting to $26,150 (2016 loss: $8,059).

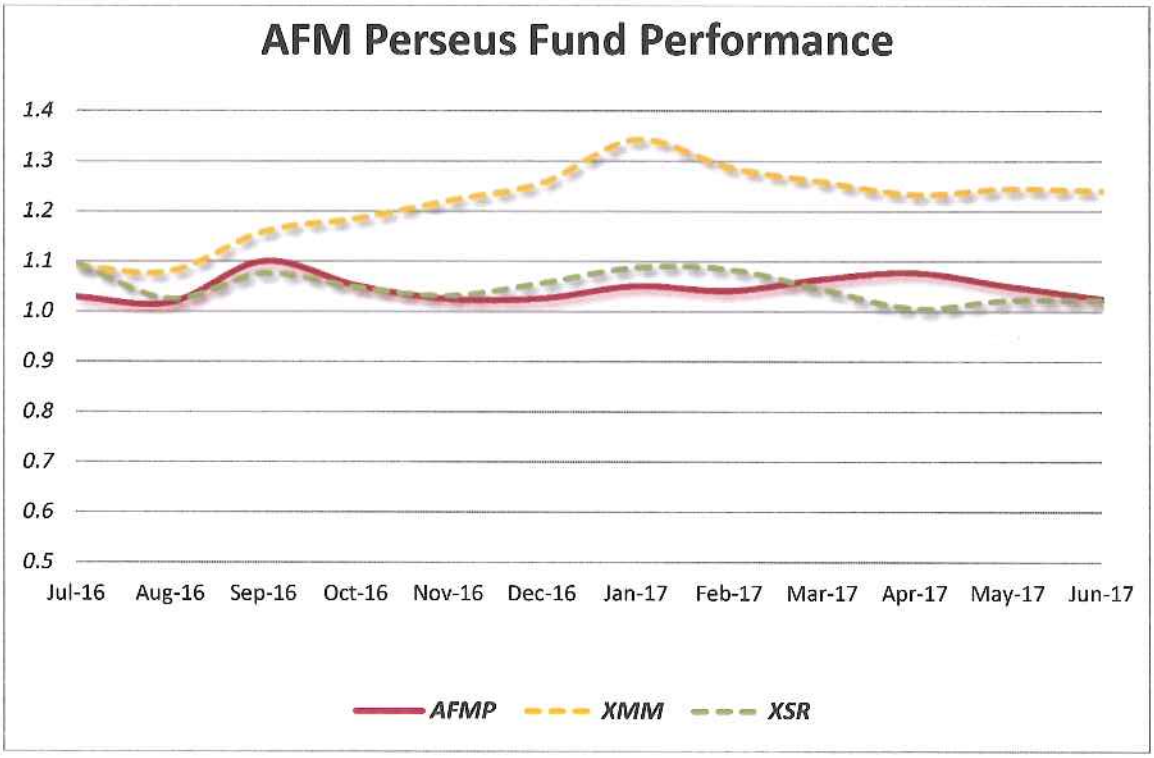
Review of Financial Position

The Net Asset position of the Company for the year ended 30 June 2017 is $1,967,445 (2016: $1,941,295).

Review of Operations

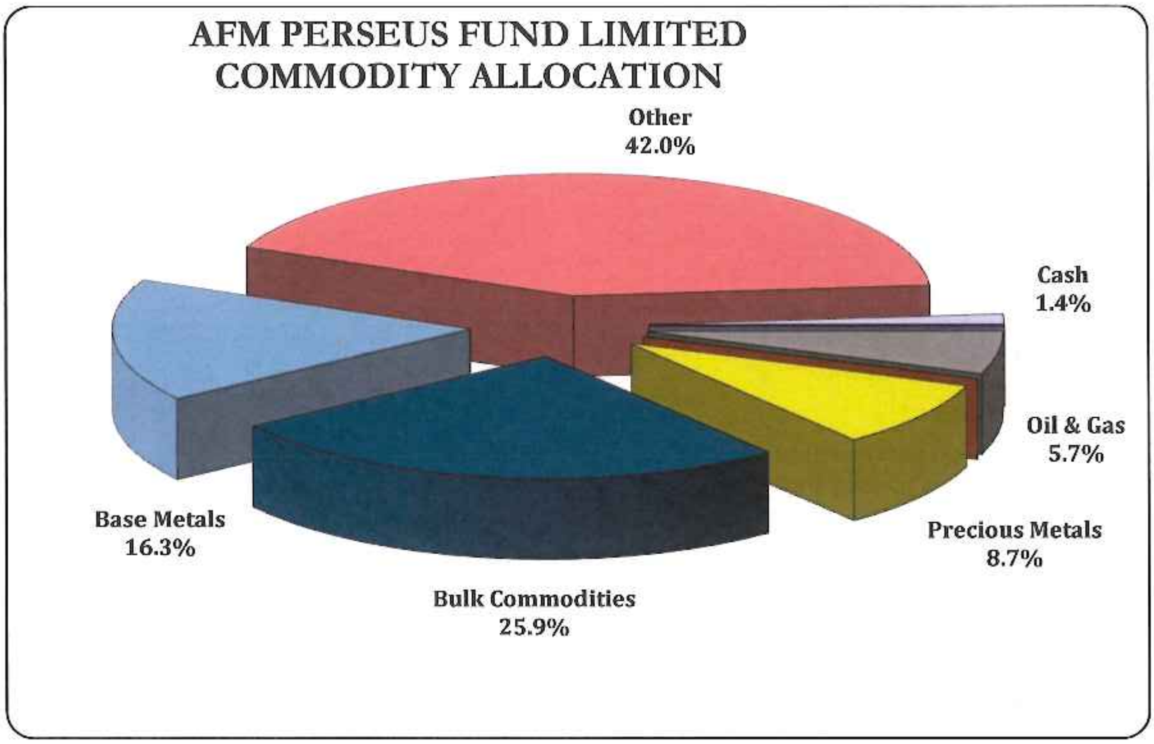
The 2017 financial year presented several opportunities which the Fund took advantage of. During the year the Fund sold down its holdings in Venturex Limited. Released funds were directed into other selective opportunities, some of which were realised at a profit during the year. Whilst the Fund was able to successfully deploy its cash and reinvest realised investments, the Fund was unable to make a meaningful exit from several other large illiquid positions. This continued to significantly weigh on performance.

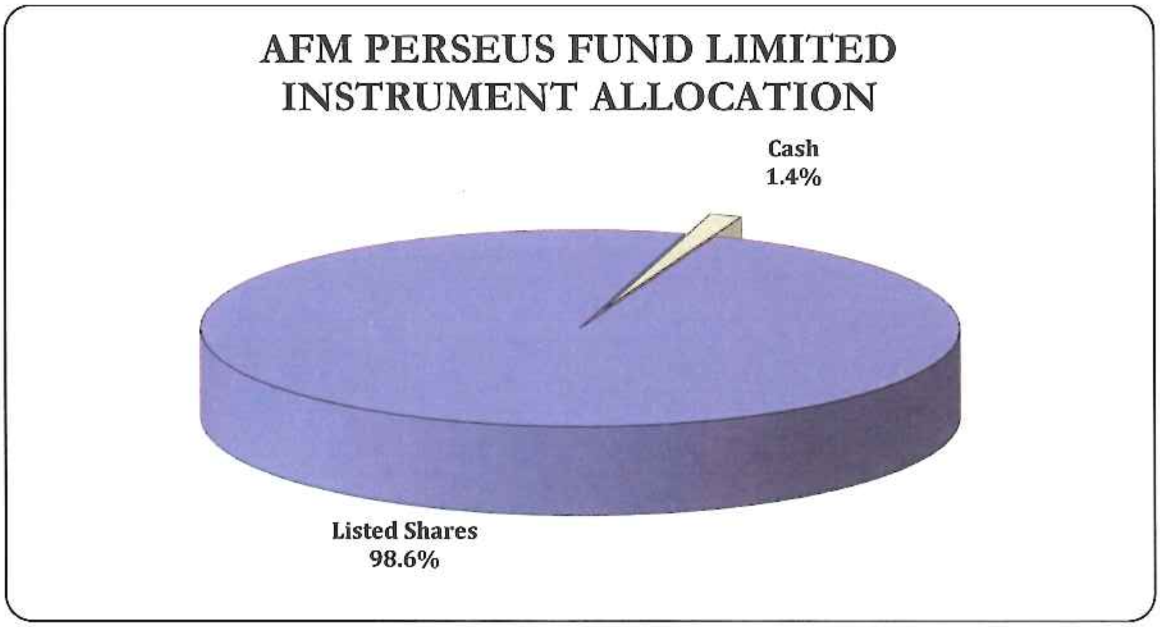
The Fund remains committed to taking a selective view on particular commodities and opportunities and is executing an investment strategy in line with that view.



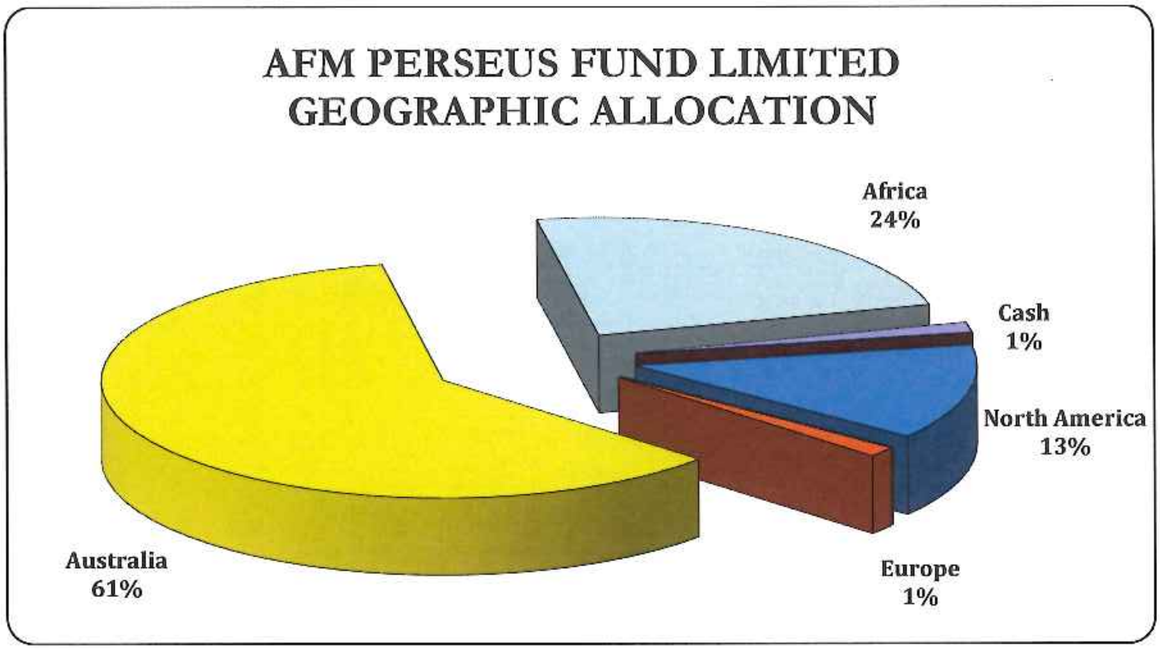
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

The composition of the Fund's portfolio at 30 June 2017, based on the value of the Fund's investments is outlined in the following diagrams.





DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017



Acacia Coal represents a significant share of the Fund. Liquidity in this stocks remains low and the Fund continues to review opportunities to maximise the return on this investment.

The Fund has maintained a medium term investment horizon (intending to hold stocks for 6 to 18 months) and retains core investment positions for companies while continuing to recognise shorter term trading opportunities. The investment strategy of the Fund remains focused on the small and micro-cap natural resources sector. The fund has limited ability to reshape the composition of its investment portfolio until it is able to realise the value of its larger holdings.

Principal Activities

The principal activity of the Company during the financial year, was the business of buying and selling securities in the financial markets in order to generate a profit.

Significant Changes in State of Affairs

Nil.

Likely Developments and Results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Dividends Paid or Recommended

No dividends were paid during the year (2016: Nil).

Options

There were no options on issue as at 30 June 2017.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2017

Indemnifying Officers or Auditors

Indemnities have been given for the Directors to the maximum extent permitted by law. Apart from these indemnities, the Company has not indemnified or made a relevant agreement for indemnifying against a liability of any person who is or has been made an Officer or Auditor of the Company.

In accordance with the Corporations Act 2001, the company pays a premium to insure Officers against any liability incurred as an Officer of that entity or of a related body corporate. This may include a liability for reasonable costs and expenses incurred in defending proceedings, whether civil or criminal and whatever their outcome.

Proceedings on Behalf of the Company

No persons have applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Subsequent Events after Balance Date

A review of the Fund's investment portfolio has been performed at 30 September 2017. The cost of investments was $1,835,747 (30 June 2017: $1,815,486). The market value of investments (incl. cash) was $1,074,296 (30 June 2017: $1,062,755). The movement in the market value of investments is wholly attributable to the fluctuations of the share market and the disposal and acquisition of certain of the Fund's shareholdings during the period.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporation Act is set out on page 8.

Dated at Perth this 30th day of October 2017.

Signed in accordance with a resolution of the Board of Directors.

EDWARD G. RIGG
Director

Bentleys
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of AFM Perseus Fund Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

Mark Delaurentis

MARK DELAURENTIS CA
Director

Dated at Perth this 30th day of October 2017

TOP 20 SHAREHOLDERS
FOR THE YEAR ENDED 30 JUNE 2017

	Shareholder Name	Number of Shares Held	Percentage
1.	Kamira Investments Pty Ltd	765,018	15.89%
2.	Alba Capital Pty Ltd	711,522	14.78%
3.	SDMO Australia Pty Ltd	537,634	11.17%
4.	Argonaut Capital Limited	435,940	9.05%
5.	EGR Management Pty Ltd	228,369	4.74%
6.	Mr Craig Allen Russell & Tracey Alexandra Russell	188,369	3.91%
7.	Falcore Pty Ltd	179,400	3.73%
8.	W Fairweather & Son Pty Ltd	161,460	3.35%
9.	Dumbarton Square Pty Ltd	135,646	2.82%
10.	Urey Pty Ltd	65,240	1.36%
11.	Areley Kings Pty Ltd	59,202	1.23%
12.	Brownlie Developments Pty Ltd	53,820	1.12%
13.	Mr Kenneth Roscrow	50,000	1.04%
14.	Mr Edward Haywood Rigg & Margaret Ann Rigg	50,000	1.04%
15.	Mrs Kym Michelle McPherson	41,528	0.86%
16.	Mr Roy Fennell & Mrs Marlen Fay Fennel	40,000	0.83%
17.	Tara Management Pty Ltd	40,000	0.83%
18.	Ms Jodie Lee Maxted	38,945	0.81%
19.	Mr David Orth	37,674	0.78%
20.	Mr Geoffrey John Whittome	30,000	0.62%
	Total Top 20	3,849,767	79.96%
	Other	964,897	20.04%
	Total ordinary Shares on issue	4,814,664	100%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
Revenue from ordinary activities	2	2,630	1,372
Net gain/(loss) in financial assets held for trading	2	187,347	91,510
Professional and directors fees		(61,471)	(61,968)
Management fee		(25,081)	(21,645)
Other expenses		(3,863)	(4,759)
Insurance		(7,322)	(8,202)
Profit/(loss) before income tax		92,240	(3,692)
Income tax (expense)/benefit	3	(66,090)	(4,367)
Profit/(loss) after income tax from continuing operations		26,150	(8,059)
Profit after income tax for the period		26,150	(8,059)
Other comprehensive income			
Net loss from securities available for sale		-	-
Income tax (expense)/benefit relating to other comprehensive income		-	-
Other comprehensive income for the year (net of tax)		-	-
Total comprehensive income for the year		26,150	(8,059)

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
CURRENT ASSETS			
Cash and cash equivalents	4	16,907	4,192
Trade and other receivables	5	149,359	3,453
Other current assets	6	2,391	1,942
Financial assets	7	1,048,261	1,088,054
TOTAL CURRENT ASSETS		1,216,918	1,097,641
NON-CURRENT ASSETS			
Deferred tax assets	8	813,184	879,274
TOTAL NON-CURRENT ASSETS		813,184	879,274
TOTAL ASSETS		2,030,102	1,976,915
CURRENT LIABILITIES			
Trade and other payables	9	62,657	35,620
TOTAL CURRENT LIABILITIES		62,657	35,620
NET ASSETS		1,967,445	1,941,295
EQUITY			
Issued capital	10	4,674,035	4,674,035
Accumulated gains/(losses)		(2,706,590)	(2,732,740)
TOTAL EQUITY		1,967,445	1,941,295

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Issued Capital $	Accumulated Gains/(losses) $	Total $
Balance at 1 July 2015	**4,674,035**	**(2,724,681)**	**1,949,354**
Loss for the year	-	(8,059)	(8,059)
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**(8,059)**	**(8,059)**
Transactions with owners, directly recorded in equity			
Dividends	-	-	-
Balance at 30 June 2016	**4,674,035**	**(2,732,740)**	**1,941,295**
Balance at 1 July 2016	**4,674,035**	**(2,732,740)**	**1,941,295**
Loss for the year	-	26,150	26,150
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**26,150**	**26,150**
Transactions with owners, directly recorded in equity			
Dividends	-	-	-
Balance at 30 June 2017	**4,674,035**	**(2,706,590)**	**1,967,445**

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,500	300
Payments to suppliers and employees		(217,055)	(89,556)
Dividends received		-	301
Interest received		130	770
Interest paid		-	(4)
Net cash used in operating activities	12	(214,425)	(88,189)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		659,103	292,595
Payments for investments		(431,963)	(292,187)
Net cash provided by investing activities		227,140	408
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	-
Amount advanced to associated party		-	(2,187)
Net cash used in financing activities		-	(2,187)
Net increase/(decrease) in cash held		12,715	(89,968)
Cash at beginning of year		4,192	94,160
Cash at end of year	4	16,907	4,192

1 SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of AFM Perseus Fund Limited. AFM Perseus Fund Limited is a Company limited by shares, domiciled and incorporated in Australia.

(a) Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Revenue and Other Income

Share trading

Other income from the sale of shares is recognised on the day the security is traded and comprises net profit on the sale of securities.

Interest

Interest revenue is recognised on an accruals basis.

Dividends

Dividends are recognised when declared.

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(e) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(f) Trade and Other Receivables

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

(g) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

Financial assets at fair value through profit or loss

This category includes financial assets held for trading and those designated at fair value through the profit or loss on initial recognition. If there exists a possibility that the financial asset acquired will be sold in the short term or if that asset is subject to frequent changes in value, then that asset will be designated as at fair value through the profit and loss. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the Statement of Financial Position date with any resultant change in value recognised in the income statement.

Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the Statement of Financial Position date with any resultant change in value recognised directly in equity.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included as current assets except for those with maturities greater than 12 months after the Statement of Financial Position date and are carried at amortised cost using the effective interest method and any impairment is recognised in the income statement.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as financial assets at fair value through the profit or loss, held to maturity investments or loans and receivables. They are included as current assets to the extent they are expected to be realised within 12 months of the Statement of Financial Position date and are carried at fair value with any resultant change in value recognised directly in equity except for impairment losses and foreign exchange gains and losses which are recognised in the income statement. When the asset is sold the cumulative gain or loss previously recognised in equity shall be recognised in the income statement.

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value estimation

The fair value of financial instruments traded in active markets is their quoted bid price at the Statement of Financial Position date. The fair value of financial instruments not traded in an active market is determined using valuation techniques based on the underlying net assets of the Company, option pricing methods if applicable or any relevant transaction that subscribes a value to those shares or options.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement as noted above.

(h) Trade and Other Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed and are stated at cost.

(i) Impairment

The carrying amounts of the Company's assets other than other financial assets and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment, and if so, the asset's recoverable amount is estimated.

An impairment loss is recognised in the income statement unless an asset has been previously revalued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation through the profit and loss.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(j) Deferred Share Issue Costs

In accordance with AASB 139 Financial Instrument Recognition and Measurement (Transaction costs arising on the issue of equity instruments), all transaction costs on the issue of equity instruments are to be recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

(k) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Critical Accounting Estimates and Judgement

The Directors evaluate estimates and judgements incorporated into the Financial Report based on historical knowledge and best available current information. Estimates assume reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates – Option Valuation

The Company uses the Black Scholes model to value unlisted options at fair value.

Key Estimates – Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Key Estimates – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by the Australian Taxation Office

(m) Asset Revaluation Reserve

The Asset Revaluation Reserve records the revaluations of non-current assets. Under certain circumstances, dividends can be declared from this reserve.

(n) Application of new and revised Accounting Standards

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group during the financial year.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

1 SIGNIFICANT ACCOUNTING POLICIES (cont.)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

		Note	2017 $	2016 $
2	**REVENUE AND OTHER INCOME**			
	Revenue from Ordinary Activities			
	Other revenue			
	– interest received from financial institutions		130	770
	– other revenue		2,500	602
	Total Revenue		2,630	1,372
	Interest revenue from:			
	– financial institutions		130	770
	Total interest revenue on financial assets not at fair value through profit or loss		130	770
	Other Income			
	Net gains on financial assets at fair value through profit or loss:			
	– held for trading – Profit/(Loss) from sale of shares		(427,403)	(183,066)
	– held for trading – Unrealised Gain/(Loss)		614,751	274,576
			187,348	91,510
3	**INCOME TAX (EXPENSE) / BENEFIT**			
	Recognised in the income statement:			
	Current tax (expense) / benefit		-	-
	Deferred tax (expense) / benefit	3(i),(ii)	(66,090)	(4,367)
	Total income tax (expense) / benefit		(66,090)	(4,367)
	Reconciliation between tax expense and pre-tax net profit			
	Profit/ (loss) before income tax		92,240	(3,692)
	Income tax calculated at 27.5% (2016: 30%)		(25,366)	1,108
	Deferred tax asset (recouped)/ not brought to account		(40,724)	(5,475)
	Income tax expense on pre-tax net profit		(66,090)	(4,367)
	Weighted average rate of tax		27.5%	30%

3 INCOME TAX (EXPENSE) / BENEFIT (cont.)	2017	2016
	$	$
Reconciliations for deferred tax accounts		
i. Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	879,274	883,641
(Charge)/credit to income statement	(66,090)	(4,367)
Closing balance	813,184	879,274
ii. Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	-	-
(Charge) / credit to income statement	-	-
Closing balance	-	-
Accrued Expenses		
Opening Balances	5,474	5,720
(Charge)/credit to income statement	(680)	(246)
Closing balance	4,794	5,474
Tax Losses		
Opening balance	459,207	380,955
(Charge)/credit to the income statement	138,196	78,252
Closing balance	597,403	459,207
Fair value loss adjustments		
Opening balance	414,593	496,966
(Charge)/credit to the income statement	(203,606)	(82,373)
Closing balance	210,987	414,593
Closing balance	813,184	879,274

		2017	2016
		$	$
4	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	16,907	4,192
		16,907	4,192
5	**TRADE AND OTHER RECEIVABLES**		
	Other debtors	149,359	3,453
		149,359	3,453
6	**OTHER CURRENT ASSETS**		
	Prepayments	2,391	1,942
		2,391	1,942
7	**OTHER FINANCIAL ASSETS**		
	Current		
	Held for trading:		
	Listed equity securities held for trading at cost	1,815,486	2,470,030
	Fair value increment	(767,225)	(1,381,976)
		1,048,261	1,088,054
8	**DEFERRED TAX ASSETS AND LIABILITIES**		
	Recognised deferred tax assets and liabilities		
	Deferred tax assets are attributable to the following:		
	Creditors and accruals not currently deductible	4,794	5,474
	Unrealised change in the market value of investments	210,987	414,593
	Tax losses	597,403	459,207
		813,184	879,274

The recoverability of deferred tax assets are dependent upon the derivation of future taxable income and as at the date of this report, the recovery of this asset remains uncertain.

	2017	2016
	$	$
9 TRADE AND OTHER PAYABLES		
Trade payables and accrued expenses	11,756	13,256
Amounts payable to:		
- Associated company	43,401	14,864
- Key management personnel	7,500	7,500
	62,657	35,620

Trade and other payables are non interest bearing and usually settled at 60 day terms.

	2017	2016
	$	$
10 ISSUED CAPITAL		
4,814,664 (2016: 4,814,664) Fully Paid Ordinary Shares with no par value	4,674,035	4,674,035

	Number of Shares	Number of Shares
Balance at start of period	4,814,664	4,814,664
Shares bought back during the financial year	-	-
Balance at the end of the period	4,814,664	4,814,664

Ordinary Shareholders have the following rights (amongst others):

- right to receive notices of meetings of the Company and to attend such meetings and to vote at such meetings except in relation to winding up the Company
- right to receive dividends
- rights under the Corporations Act to wind up the Company

Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risk and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. This strategy is to ensure that the Company's gearing ratio remains conservative. The gearing ratio for the year ended 30 June 2017 is as follows:

Total borrowings	-	-
Less cash and cash equivalents	16,907	4,192
Net debt	(16,907)	(4,192)
Total equity	1,967,445	1,945,295
Total capital	1,967,445	1,945,295
Gearing ratio	-	-

11 FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Company's financial instruments consist mainly of deposits with banks, short-term investments and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Company investments.

Derivatives are not used by the Company for hedging purposes. The Company does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

Senior Executives of the Company meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Senior Executives overall risk management strategy seeks to minimise potential adverse effects on financial performance.

The Senior Executives operate under the guidance of the Board of Directors. Risk Management initiatives are addressed by the Board when required.

ii. Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates. All of the entity's exposure to interest rate risk is limited to cash and cash equivalents, convertible notes and financial liabilities.

At 30 June 2017, the Company does not have any material interest rate risk exposure.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows.

Market risk

Market risk is the risk that the value of the Company's investments will fluctuate as a result of changes in market prices. It is recognised that the investment portfolio comprises a proportion of speculative investments in the mining and resources sector. To minimise market risk, positions are monitored on a daily basis and marked-to-market regularly.

Net fair values of financial assets and liabilities

Assets and liabilities included in the Statement of Financial Position are carried at amounts that approximate their fair values. Please refer to Note 1 for the methods and assumptions adopted in determining net fair values for investments.

11 FINANCIAL RISK MANAGEMENT (cont.)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk is reviewed regularly by the Senior Executives.

The Senior Executives ensure that the Company deals with:

- Only banks and financial institutions with an "A" rating;
- All potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

The Company invests in listed available-for-sale/ held to maturity financial assets. Unlisted available-for-sale / held to maturity financial assets are not rated by external credit agencies. These are reviewed regularly by the Company to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at 30 June 2017 is detailed below:

	2017	2016
Trade and Other Receivables	$149,359	$3,453

Price risk

The Company is exposed to changes in share prices of the portfolio of securities that it holds. Securities are monitored regularly to ensure that the relevant companies in which shares are held are meeting the investment standards required by the Investment Committee.

iii. Net Fair Values

The net fair values of:

- Listed investments have been valued at the quoted market last sale price at balance date. For unlisted investments where there is no organised financial market, the net fair value has been based on the cost base of the investment or the reasonable estimation of the underlying net assets.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date

As at 30 June 2017 and 30 June 2016, the carrying amounts of all financial assets and liabilities approximated their fair values.

11 FINANCIAL RISK MANAGEMENT (cont.)

iv. Sensitivity Analysis

Interest rate risk, foreign currency risk and price risk

The Company has performed sensitivity analysis relating to its exposures to interest rate risk and price risk at balance date and has determined that increases and decreases are not material to the Company.

Interest rate exposure

The entity's exposure to interest rate risk and the effective weighted interest rate for classes of financial assets and liabilities is set out below:

2017	**Note**	**Weighted average interest rate**	**Fixed interest maturing in:** Floating interest	1 year or less	Non-interest bearing	Total
			$	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	4	0.97%	16,907	-	-	16,097
Trade and other receivables	5	-	-	-	149,359	149,359
Other financial assets	7	-	-	-	1,048,261	1,048,261
			16,907	-	1,197,620	1,214,527
Financial liabilities						
Trade and other payables	9	-	-	-	62,657	62,657
			-	-	62,657	62,657

11 FINANCIAL RISK MANAGEMENT (cont.)

2016	Note	Weighted average interest rate	Floating interest	1 year or less	Non-interest bearing	Total
			Fixed interest maturing in:			
			$	$	$	$
Financial assets						
Cash and cash equivalents	4	1.49%	4,192	-	-	4,192
Trade and other receivables	5	-	-	-	3,453	3,453,
Other financial assets	7	-	-	-	1,088,054	1,088,054
			4,192	-	1,091,507	1,095,699
Financial liabilities						
Trade and other payables	9	-	-	-	35,620	35,620
			-	-	35,620	35,620

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 1	Level 2	Total
	$	$	$
2017			
Financial assets:			
Financial assets at fair value through profit or loss:			
- Investments: held for trading	1,048,261	-	1,048,261

	Level 1	Level 2	Total
	$	$	$
2016			
Financial assets:			
Financial assets at fair value through profit or loss:			
- Investments: held for trading	1,088,054	-	1,088,054

11 FINANCIAL RISK MANAGEMENT (cont.)

Listed Equity Sensitivity Analysis

At 30 June 2017, the effect on profit and equity as a result of changes in listed equity prices, with all other variables remaining constant would be as follows:

	2017 $	2016 $
Change in profit		
– Increase in listed equity prices by 10%	104,826	108,805
– Decrease in listed equity prices by 10%	(104,826)	(108,805)
Change in Equity		
– Increase in listed equity prices by 10%	104,826	108,805
– Decrease in listed equity prices by 10%	(104,826)	(108,805)

12 NOTES TO THE STATEMENT OF CASH FLOWS

	2017	2016
Profit/(loss) after income tax	26,150	(8,059)
Non-cash flows in profit after income tax:		
Movement on financial instruments held at fair value	(614,751)	(274,074)
Movement on impairment of cash assets	-	-
Loss/(profit) on sale of investments	427,403	183,066
Loan to associated party	-	2,187
	(161,198)	(96,880)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(146,354)	(450)
(Increase)/decrease in other current assets	-	-
(Decrease)/increase in payables	27,037	4,774
Movement in deferred tax asset/deferred tax liability	66,090	4,367
Cash flows from operations	(214,425)	(88,189)

13 KEY MANAGEMENT PERSONNEL COMPENSATION

2017

Short-term Benefits		Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total
Cash, salary & commissions	Other	Superannuation	Other	Equity	Options	
$	$	$	$	$	$	$
27,397	-	2,603	-	-	-	30,000
27,394	-	2,603	-	-	-	30,000

No key management personnel emoluments are performance based.

2016

Short-term Benefits		Post-employment Benefits	Other Long-term Benefits	Share based Payment		Total
Cash, salary & commissions	Other	Superannuation	Other	Equity	Options	
$	$	$	$	$	$	$
27,397	-	2,603	-	-	-	30,000
27,394	-	2,603	-	-	-	30,000

No key management personnel emoluments are performance based.

No other compensation, including termination benefits and share based payments, was paid or payable to key management personnel.

The names of each person holding the position of Director of the Company during the period are:

Garry Cossill
Edward G Rigg
Michael Price

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

14 RELATED PARTIES

a Directors

Total Directors remuneration is set out in Note 13.

b Transactions with Director-related entities

The Directors of the Company, or their director-related entities, hold positions in other entities from time to time that result in them having control over the financial or operating policies of these entities.

The terms and conditions of the transactions with Directors and their director-related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Aggregate amounts recognised during the year relating to director related entities were as follows:

Director Related Entity	***Director***	***Transaction***	**2017 $**	**2016 $**
Argonaut Limited	E Rigg	Accounting Fees (i)	12,000	12,000
Argonaut Limited	E Rigg	Expense reimbursement (ii)	31,650	39,420
AFM Zeus Pty Ltd	E Rigg	Management and Performance Fees (iii)	25,081	21,645

i The Company paid total Accountancy Fees of $12,000 for the year ended 30 June 2017 to Argonaut Limited.

ii The Company paid $31,650 to Argonaut Limited for general expenses incurred by Argonaut Limited on behalf of the Company.

iii The Company paid total Management Fees of $25,081 for the year ended 30 June 2017 to AFM Zeus Pty Ltd, the Manager of the Company.

c Directors holdings of shares

Key Management Person	**Balance 1 July 2016**	**Net Change Other**	**Balance 30 June 2017**
	$	$	$
Argonaut Capital Limited- Edward Rigg related entity	435,940	-	435,940
EGR Management Pty Ltd- Edward Rigg related entity	228,369	-	228,369
Dumbarton Square Pty Ltd- Garry Cossill related entity	135,646	-	135,646
	799,955	-	799,955

d Identity of related parties

The Company has a related party relationship with its Directors and director related entities.

15 EVENTS SUBSEQUENT TO REPORTING DATE

A review of the Fund's investment portfolio has been performed at 30 September 2017. The cost of investments was $1,835,747 (30 June 2017: $1,815,486). The market value of investments (incl. cash) was $1,074,296 (30 June 2017: $1,062,755). The movement in the market value of investments is wholly attributable to the fluctuations of the share market and the disposal and acquisition of certain of the Fund's shareholdings during the period.

16 DIVIDENDS

No dividends were paid during the financial year (2016: Nil).

	2017	2016
	$	$
17 AUDITORS' REMUNERATION		
Auditors remuneration for:		
- audit and review of the financial report	16,150	16,150
	16,150	16,150

18 OPERATING SEGMENTS

Identification of reportable segments

The Company has identified one reportable segment, being the financial investment industry, based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Board reviews financial information on the same basis as presented in the financial statements and has therefore determined the operating segment on this basis.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Geographic Segment

The Company operates from one geographic location, being Australia, from where its investing activities are managed.

19 COMPANY DETAILS

The registered office and principal place of business of the Company is:

Allendale Square
Level 30
77 St Georges Terrace
Perth WA 6000

DIRECTORS' DECLARATION

In the opinion of the Directors of the Company:

(a) the financial statements & notes set out on pages 11 to 33, are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company as at 30 June 2017 and of its performance as represented by the results of its operations and cash flows for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

  (iii) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in relevant notes to the financial statements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 30 day of October 2017.

This declaration is made in accordance with a resolution of the Board of Directors.

E Rigg

EDWARD G. RIGG
Director

Bentleys®
THINKING AHEAD

Bentleys Audit & Corporate (WA) Pty Ltd
London House
Level 3,
216 St Georges Terrace
Perth WA 6000

PO Box 7775
Cloisters Square WA 6850

ABN 33 121 222 802

T +61 8 9226 4500
F +61 8 9226 4300

bentleys.com.au

Independent Auditor's Report

To the Members of AFM Perseus Fund Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AFM Perseus Fund Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

a. the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Recoverability of Deferred Tax Assets

We draw attention to Note 8 in the financial report which indicates that the Entity has recorded a deferred tax asset of $813,184. As set out in Note 8, the recovery of this asset is reliant upon the derivation of future taxable income, which at the date of this report is not able to be reliably demonstrated.

This item represents a significant asset recorded by the Entity, and at the date of this report, the recovery of this asset remains uncertain. Therefore, there remains an inherent uncertainty with regard to the recoverability of this asset.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state in accordance with Australian Accounting Standard *AASB 101 Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Bentleys	Mark Delaurentis
BENTLEYS	**MARK DELAURENTIS CA**
Chartered Accountants	**Director**

Dated at Perth this 30th day of October 2017

AFM PERSEUS

FUND LIMITED