



AFM PERSEUS
FUND LIMITED
ACN 087 023 612

Investor Update

Quarterly Update
for period ending 31 December 2016

Quarter Highlights

- MZI Resources secured debt funding and increased performance outcomes
- Drilling program announced for Venturex Resources

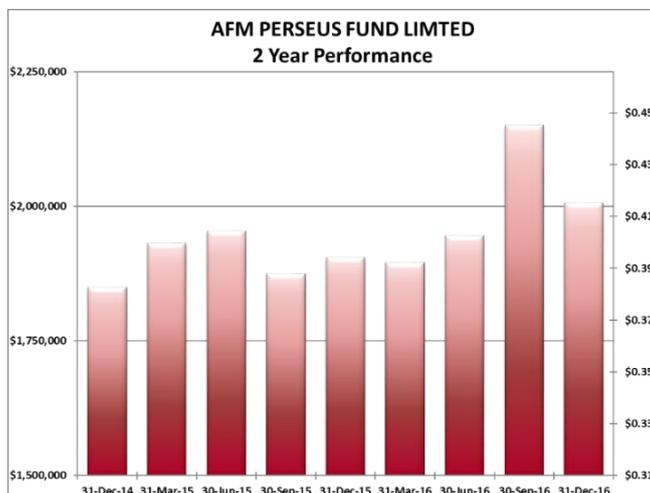
Key Performance Statistics

	31 December 2016	30 September 2016	30 June 2016
NTA after tax	\$2,007,233	\$2,151,673	\$1,946,569
NTA after tax per Share	\$0.4169	\$0.4469	\$0.4043
Percentage Gain/(Loss)	(6.7%)	10.5%	2.7%
Small Resources Index	(1.8%)	7.6%	27.9%

Portfolio Performance

AFM Perseus Fund Limited (“the Fund”) experienced a 6.7% decline in the Net Tangible Asset (“NTA”) value for the quarter, against the S&P ASX Small Resources Index which had a decrease of 1.8%.

The NTA value of the portfolio decreased to \$2.007 million and the value per share at the end of the quarter was \$0.4169, after all allowances for fees and taxes due principally to the drop in the Venturex Resources share price of 1.3¢ at 30 September to 0.8¢ at 30 December 2016.



After a drilling program, Venturex Resources extended the Western Zinc Lode at Salt Creek with all holes intersecting mineralisation down plunge. The Fund does want exposure to zinc however we will be looking for more compelling results to justify Venturex remaining the Fund’s zinc exposure.

Acacia Coal continues to focus on the acquisition of the Riversdale Anthracite Colliery (RAC) from Rio Tinto and completed the drilling program at RAC. Subsequent to quarter end the company announced the RAC Initial JORC 2012 Resource. A Pre-feasibility Study and Updated Resource Statement is targeted for Q2, 2017.

MZI Resources finalised its debt funding package with Resource Capital Fund for a US\$16 million facility which has provided the financial flexibility to deliver the Keysbrook Project plant enhancements and optimisation activities. The newly commissioned Keysbrook Wet Concentrator Plant (WCP) achieved its landmark Design Performance Milestone which has seen recovery and grade increases to the Heavy Metal Concentrate. Dr Steve Ward was appointed interim Managing Director following the resignation of Trevor Matthews.



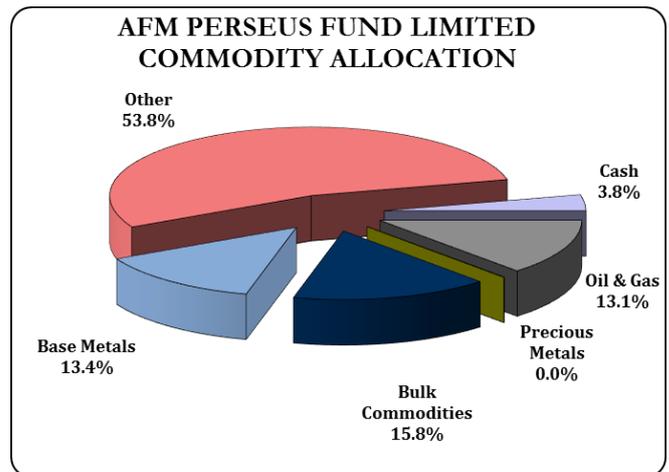
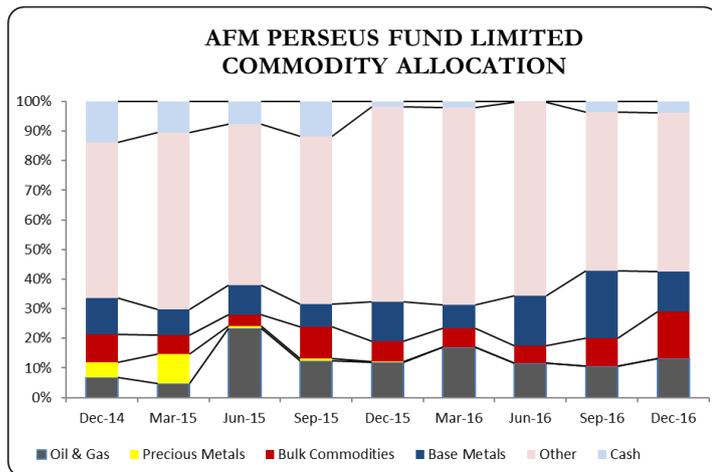
Cradle Resources' Panda Hill Niobium project in Tanzania is now entering the tendering phase for key works including mining, infrastructure earthworks, camp construction and mechanical equipment. Debt financing and off-take negotiations are also underway. Panda Hill is regarded as the best undeveloped niobium project globally, with a high grade open pittable Reserve, access to key infrastructure and near term production potential.

The Fund has previously indicated it was expecting an active December quarter and now confirms:

- Acacia Coal continues with the acquisition of the RAC and announced the initial JORC Resource;

- Cradle tendering for key works at the Panda Hill Niobium Project;
- MZI confirmed the Keysbrook Minerals Sands Mine ramped up production to achieve targeted recovery and production;
- Venturex completed a drilling program at Salt Creek; and
- Kinetiko submitted a proposed work program to the Afro Energy Board for consideration.

The Fund held securities in 8 companies and cash, at quarter end, with a market value of \$1,189,843 (a decrease of \$221,517 from the previous quarter).



Commentary

The surprise of Donald Trump's election as President dominated after the shock of Brexit earlier in the year, initially sending equity markets plunging - at one stage the Dow Jones futures were down 1000 points and gold jumped as high as \$1338. When the dust settled, the markets decided his pro-growth stance would be good for the US economy, though with some reservations about the possible protectionism. Gold slid in November and December hitting a low of \$1125 before rebounding late in the year. Gold ETF flows saw outflows for over 30 days during the sell-off. Equity markets on the other hand rallied from their November lows with S&P and DJ rallying 10% over the quarter.

The US dollar was strong in Q3, and comments from the FOMC suggested a more hawkish view as economic outlook improved. In December the Fed raised interest rates by 25bp to 0.5%-0.75%. Oil rallied 15% during the quarter as OPEC and non OPEC members led by Russia managed to agree on production cuts. Base metals benefited from growth hopes, 'Dr Copper' rose 20%, while zinc rose 10%. Nickel was flat as Indonesia suggested it would allow some new exports. The Bulks continued to defy gravity, Newcastle Coal rose 33% and Iron ore rose 34% led by Chinese restocking ahead of the Chinese New Year.

Investor Information

The Manager continues to review alternative investment opportunities and other options for the fund however needs to be realistic in terms of what is achievable given the fund's micro size, current holdings and the prevailing environment i.e. limited flexibility available. As previously indicated we will endeavor to facilitate a liquidity event when circumstances allow, provided it does not disadvantage shareholders who remain within the Fund.

The Board reiterates that the AFM Perseus Fund is an **unlisted** fund and as such, there is no market in which to buy or sell shares in the Fund. An investment in the Fund is an illiquid investment and should be considered long term in nature. Any enquiries from investors wishing to buy or sell shares in the Fund should be directed to the Manager.

NOTES

1. Please note that past performance is not necessarily a guide to future performance.
2. The financial product advice contained in this quarterly update document is general advice only. This report has been prepared without any consideration of any specific investment objectives, financial situation or needs. Before acting on any advice provided in this document, you should carefully consider the appropriateness of this general advice in light of your financial circumstances and speak with your advisor before making a decision. AFM Zeus Pty Ltd is a corporate representative of Argonaut Funds Management Pty Ltd, who is the holder of Australian Financial Services License 224815.

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