



AFM PERSEUS
FUND LIMITED
ACN 087 023 612

Investor Update

Quarterly Update
for period ending 31 March 2017

Quarter Highlights

- Takeover for Cradle Resources announced
- Acacia appoints new management and confirms premium quality anthracite at Riversdale Anthracite Colliery

Key Performance Statistics

	31 March 2017	31 December 2016	30 September 2016
NTA after tax	\$2,082,824	\$2,007,233	\$2,151,673
NTA after tax per Share	\$0.4326	\$0.4169	\$0.4469
Percentage Gain/(Loss)	3.8%	(6.7%)	10.5%
Small Resources Index	(1.2%)	(1.8%)	7.6%

Portfolio Performance

AFM Perseus Fund Limited (“the Fund”) experienced a 3.8% increase in the Net Tangible Asset (“NTA”) value for the quarter, against the S&P ASX Small Resources Index which had a decrease of 1.2%.

The NTA value of the portfolio increased to \$2.082 million and the value per share at the end of the quarter was \$0.4326, after all allowances for fees and taxes due principally to the increase in value of the Cradle Resources and Norwest Energy holdings. The Fund sold part of its Venturex and Odyssey Energy holdings during the period to participate in capital raisings for Metro Mines Limited & Vital Metals Limited and take-up of the Odyssey Energy Entitlement Offer.

Proceeds from the Metro Mines capital raising will be applied to maintaining the development momentum for its Bauxite Hills Mine by enabling the ordering of long lead time items, providing environmental bonding so early works can commence, the completion of BFS and final project approvals and by providing general working capital.

Argonaut’s leading Metals & Mining Analyst, Matt Keane, has placed a target price of \$0.44 for Metro Mines. The Fund’s entry price is \$0.125 per share.

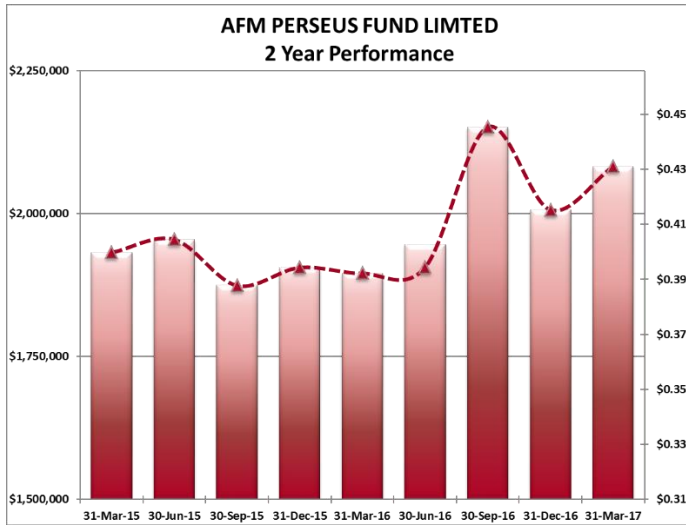
The Fund also participated in the Vital Metals heavily over-subscribed \$5m placement. The funds from this capital raising will be used to accelerate gold exploration drilling along the Kollo trend at Burkina Faso in West Africa. Vital Metals recently commenced a 12,000 metre drilling program at Kollo with initial results eagerly awaited towards the end of May. Vital Metal’s Burkina Faso gold projects are located in the proven Markoye Fault Corridor, along strike from a number of +1Moz Au deposits. The Fund’s entry price is 1.25 cents per share.

On 10 March, Cradle Resources was subject to a \$0.33 all cash takeover offer. The Board of Cradle has unanimously recommended the offer in the absence of a superior proposal. The Fund has a meaningful investment in Cradle of 1.6 million shares which originally cost \$0.16 in June 2007.

Acacia Coal announced Mr Hugh Callaghan was appointed Managing Director and Rob Scott as a Director, together with additional management personnel appointments. Acacia Coal along with Venturex have been long term investments of the Fund that have been bad performers. The Manager is pleased to see changes made to Acacia Coal. The Riversdale Anthracite Project (known as the RAC) was acquired from Rio Tinto. It is shaping as a low capex, high



margin project that will produce a commodity in critically short supply in South Africa. The Manager is encouraged by RAC and is hopeful of realising value from this investee company.

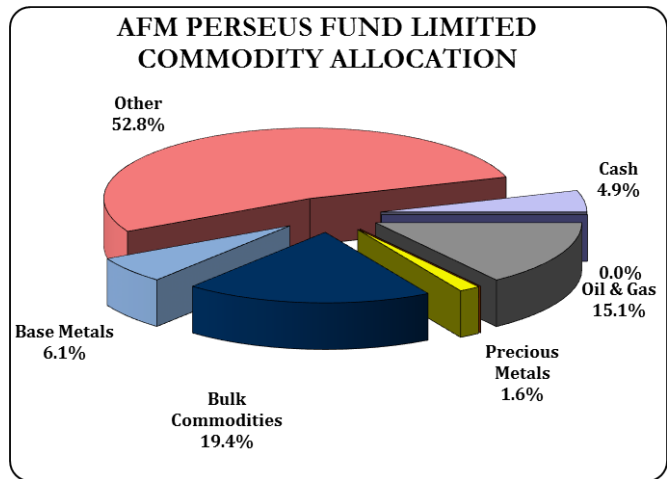
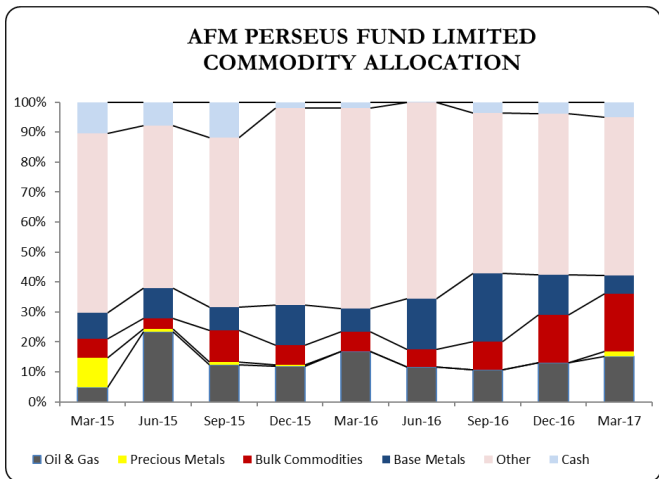


The Norwest Energy holding had a positive rebound during the period as the company finalised a full farm out of its 160MMbbl Xanadu TP/15 prospect, representing a major milestone for Norwest shareholders. The Fund looks forward to the drilling of the Xanadu well off-shore the Perth basin within 12 months.

The Manager also traded part of its core holding in Odyssey Energy. It sold existing shares at \$0.09 and replaced them with shares at \$0.06 via an Entitlements Issue. The Manager remains a supporter of companies led by Ian Middlemas. Ian has a track record of generating and realizing shareholder wealth. Odyssey now sits with some \$14m cash. We await the deal this company executes.

Venturex and MZI continue to be under-performing investments. The Manager took advantage of some interest in Venturex to sell at 1 cent per share.

The Fund held securities in 10 companies and cash, at quarter end, with a market value of \$1,301,686 (an increase of \$111,843 from the previous quarter).



Commentary

The equity markets during the quarter continued to be dominated by the actions of Donald Trump and the US growth story. After the surprise election of Donald Trump and the fallout of Brexit in 2016, the arrival of pro-growth Republicans in the White House saw improvements in consumer sentiment and labor market activity, driving the US dollar higher and equity markets to record highs. The downside of the Trump led US government has been the rise in geopolitical risk, the continued use of Twitter and awkward comments from White House advisor Sean Spicer have taken the shine off the greenback. Despite a high profile summit with the Chinese Premier, the chest beating and threats against North Korea have put the world on notice of a potential conflict, this helped see the gold price rally US\$100 during the quarter to US\$1240.

The change in Fed sentiment was vast with the formerly dovish FOMC being very verbal in their view on the economic improvements and the use of the DOT chart to plan for a tightening interest rate environment. The Fed raised interest rates by 25bp to 0.75-1.00% on 16 March and guided for 2 further hikes in 2017.

Commodities were mixed during the quarter with oil prices falling despite the OPEC /Non Opec production cuts showing some signs of success - the US oil producers making hay while the sun shines with Rig count and US inventories hitting recent highs. Base metals traded higher with hopes of global growth helping Dr Copper. Chinese data continued to beat expectations. China continued to make progress on taking heavy pollution out of the system by closing a number of mines. This helped drive a significant recovery in bulk prices, during the quarter: Iron ore rose from over \$90 in March before giving up much of its gains as investors worried on the record stockpiles at Chinese Ports. Newcastle coal prices fell during the quarter.



Investor Information

The Fund wishes to announce the appointment of Michael Price as Company Secretary of AFM Perseus Fund Limited with effect from 8 May 2017. This role is in addition to his position as a Director.

Kyllie Whitehead has resigned as Company Secretary of the Fund. The Board would like to take this opportunity to thank Kyllie for her long involvement with the Fund and wish her well in her future endeavours.

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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