



AFM PERSEUS
FUND LIMITED

ACN 087 023 612

4 October 2021

Dear Shareholder,

We are pleased to report that AFM Perseus ("Fund") had a net asset value per share of 22.64 cents at the end of the 2021 financial year, representing a gain of 72.0% over the year and an outperformance of 39.8% to the Fund's benchmark, S&P ASX Small Resources Index. On account of the Fund's positive performance for the 2021 financial year, a dividend of 2 cents per share was paid to all shareholders as at 30 June 2021.

Subsequent to year-end, AFM Perseus has continued to perform positively. As at 31 August 2021, the Fund's net asset value per share was 24.04 cents, representing a gain of 138.5%⁽¹⁾ since the Fund's restart date in Jan 2020. This performance compares favourably with the S&P ASX Small Resources Index which rose by 43.9% over the same time period.

Annual General Meeting

Notice is given that the Annual General Meeting of AFM Perseus Fund Limited will be held at **1.00pm (WST) on Monday, 1 November 2021 at the Argonaut office located at Level 30, Allendale Square, 77 St Georges Terrace, Perth, Western Australia.**

The Notice of Meeting and Proxy Form are enclosed with this correspondence. The Annual Report is available to download at our website www.argonautfundsmanagement.com

Shareholders are being asked to vote on two resolutions:

- Resolution 1 - RE-ELECTION OF DIRECTOR – DAVID FRANKLYN
- Resolution 2 - NEW INVESTMENT MANAGEMENT AGREEMENT

In order for your vote to count you will need to lodge your proxy form by no later than **1.00pm (WST) on Saturday, 30 October 2021**, this being 48 hours prior to the commencement of the Meeting.

Shareholder Communications

If you have any questions or would like to request additional information, please email Jenna Converse at jconverse@argonaut.com

Yours Sincerely,

David Franklyn
Executive Director / Head of Funds Management
Argonaut Funds Management Limited

1. Assumes all dividends are reinvested back into the Fund.

AFM PERSEUS FUND LIMITED**ACN 087 023 612****NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the Meeting will be held at:

TIME: 1:00 pm AWST

DATE: Monday, 1 November 2021

PLACE: Argonaut Boardroom
Level 30, Allendale Square
77 St Georges Terrace
Perth Western Australia

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 1:00 pm AWST on 29 October 2021

IMPORTANT INFORMATION

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 1:00pm (WST) on Monday, 1 November 2021 at:

Argonaut (Boardroom)
Level 30, Allendale Square, 77 St Georges Terrace, Perth, Western Australia

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding, and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 1:00 pm (WST) on 29 October 2021.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

VOTING IN PERSON

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact Jenna Converse on +61 8 9224 6822.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the **Company** for the financial year ended 30 June 2021 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the Auditor's Report.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – DAVID FRANKLYN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 3.6 of the Constitution and for all other purposes, David Franklyn, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 2 – NEW INVESTMENT MANAGEMENT AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of section 195(4) and section 208 of the Corporations Act and for all other purposes, approval is given for entry by the Company into a new investment management agreement with the investment manager, AFM Zeus Pty Ltd, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Argonaut Limited (ACN 109 326 418), Edward Rigg and any of their associates (**Resolution 2 Related Parties**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form and it is not cast on behalf of the Resolution 2 Related Parties.

Dated: 4 October 2021

By order of the Board



David Franklyn
Executive Director / Head of Funds Management

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2021 together with the declaration of the directors, the directors' report, the Remuneration Report and the Auditor's Report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.argonautfundsmanagement.com.

1. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – DAVID FRANKLYN

1.1 General

Clause 3.6 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election.

A Director who retires by rotation under clause 3.6 of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

David Franklyn, retires by rotation and seeks re-election.

1.2 Qualifications and experience

David Franklyn is an Executive Director and Head of Funds Management at Argonaut.

David has over 25 years investment market experience. This includes almost 10 years as Head of Research of a leading Australian small companies / resources stockbroker and 10 years as Managing Director and Chief Investment Officer of a boutique funds management business that operated three managed investment schemes including a small companies fund. He has also held senior executive positions in both listed and unlisted companies and has acted as a non-executive director of a number of ASX listed entities.

2.2 Board recommendation

The Board supports the re-election of David Franklyn and recommends that Shareholders vote in favour of Resolution 1.

2. RESOLUTION 2 – BACKGROUND

2.1 Current Investment Management Agreement

On 20 June 2007, the Company appointed AFM Zeus Pty Ltd (ACN 099 813 073) (**AFM Zeus** or the **Investment Manager**) as an investment manager pursuant to an investment management agreement (**Original IMA**). In consideration for the performance of its duties as manager of the Company's portfolio of assets (**Portfolio**), AFM Zeus is entitled to be paid certain management and performance fees and to be reimbursed for its expenses in connection with the acquisition, disposal or maintenance of any investment or management of the Portfolio.

A summary of the fees payable under the Original IMA are as follows:

(a) Management Fee

The Investment Manager is entitled to a management fee payable monthly based on the value of the assets in the portfolio and accrues regardless of the performance of the Fund, noting that the management fee varies month-to-month in proportion to the value of the portfolio (**Current Management Fee**). The Current Management Fee is charged at the following rates:

- (i) where the Portfolio value \leq \$25 million, the rate is 2% p/a;
- (ii) where the Portfolio value is between \$25 million and \$50 million, the rate is 1.5% p/a; and
- (iii) where the Portfolio value $>$ \$50 million, the rate is 1% p/a.

Management fees have been voluntarily suspended by the Investment Manager for the financial year ending 30 June 2021.

(b) Performance Fee

In addition to the Current Management Fee, the Investment Manager is entitled to a performance fee, payable annually depending on the performance of the Portfolio over successive financial year periods (**Current Performance Fee**). The Current Performance Fee is 20% of the increase in the value of the Portfolio (subject to capital adjustments) over the 12-month performance period (being the financial year), above a hurdle rate of 10%. The Current Performance Fee structure does not include the application of a high-water mark.

2.2 The Investment Manager – AFM Zeus

AFM Zeus is a wholly owned subsidiary and corporate authorised representative (No. 000295119) of Argonaut Funds Management Pty Ltd (ACN 101 152 863) (**AFMPL**) which holds AFSL No. 224815. AFMPL is a wholly owned subsidiary of Argonaut Limited (ACN 109 326 418) (**Argonaut**).

The directors and offices of the Investment Manager are:

- (a) Edward Rigg (director);
- (b) Glen Colgan (director);

- (c) David Franklyn (director);
- (d) Michael Price (joint company secretary); and
- (e) Wendy McEvoy (joint company secretary).

There are several common directors between the Company, the Investment Manager and associated companies in the Argonaut Group which are summarised as follows:

Argonaut Group company	Directors
AFM Perseus Fund Limited	Edward Rigg, Glen Colgan, David Franklyn
AFM Zeus Pty Ltd	Edward Rigg, Glen Colgan, Greg Southee
Argonaut Funds Management Pty Ltd	Edward Rigg, Glen Colgan, David Franklyn, Kevin Johnson, Greg Southee
Argonaut Limited	Edward Rigg, Glen Colgan, Brent Stewart, Greg Southee, Liam Twigger, Kevin Johnson

Edward Rigg and Glen Colgan are also shareholders of Argonaut. Edward Rigg holds an interest in 26.67% of the issued shares of Argonaut.

2.3 New Investment Management Agreement

The Company is proposing to enter into a new investment management agreement with the current Investment Manager (**New IMA**) to replace the Original IMA from 2007.

The Board is seeking Shareholder approval for the New IMA which is reflective of current market standards and better aligns the fee structure with the performance of the Company relative to the sector it is investing in.

A full summary of the terms of the New IMA are set out in Schedule 1.

Notably, it is proposed that the fees payable to the Investment Manager under the New IMA will change effective 1 July 2021 as summarised below.

(a) Management Fee

The proposed management fee will result in an overall reduction in the management fee depending on the relevant fee band. The current and proposed management fee bands (excluding GST) are:

Portfolio Value	Current Management Fee	Proposed Management Fee
≤ \$25 million	2% p.a.	1.75% p.a.
\$25 million - \$50m	1.5% p.a.	1.75% per annum up to \$25M and 1.25% per annum for the Portfolio value

		greater than \$25M but less than \$50M.
>\$50m	1.00% p.a.	1.75% per annum up to \$25M, 1.25% per annum for the Portfolio value greater than \$25M but less than \$50M and 1.00% per annum for the Portfolio value above \$50M.

As a worked example, the fee payable to the Investment Manager on a Portfolio value of \$10 million for a 12-month period would be approximately \$200,000 (plus GST) with the Current Management Fee, reducing to \$175,000 (plus GST) under the Proposed Management Fee.

(b) **Performance Fee**

The proposed performance fee (**Proposed Performance Fee**) is 20% of the outperformance of the Portfolio relative to the S&P ASX Small Resources Index over the 12-month performance period, subject to a high-water mark. The application of a high-water mark will seek to ensure that until any previous losses incurred by the Fund have been recovered, the Investment Manager does not earn a performance fee, as compared to the Current Performance Fee. The initial high-water mark for the period commencing 1 July 2021 will be set at 40.0 cents per Share (c.f. NTA / share of \$0,2404 as at 31 August 2021). As such, the NTA per Share will need to increase to 40.0 cents before a performance fee will become payable. The high-water mark will be reset every 3 years if a prior high-water mark has not been exceeded in that time. Examples of the application of a high-water mark are detailed below. Each example assumes that there is no additional equity raised over the time period of the high-water mark calculation.

(i) **Example 1: Performance above the high-water mark**

Assuming an initial NTA of \$5,000,000 and an NTA of \$5,500,000 at the end of the 12-month performance period (representing a 10% higher value than at the beginning):

- (A) As the initial high-water mark is \$5,000,000 and the closing NTA is \$5,500,000, there would be an aggregate positive performance of \$500,000.
- (B) Assuming the increase in the S&P ASX Small Resources Index over the same period was 5% (representing a positive performance of \$250,000 on a notional portfolio with an initial value of \$5,000,000).
- (C) In this instance, there would be a performance fee payable at 20% of the outperformance of \$250,000 equating to \$50,000 for the period given the NTA is above the high-water mark.
- (D) The high-water mark would become \$5,450,000 (being the NTA net of the performance fee paid at the last performance fee calculation date).

(ii) **Example 2: Performance below the high-water mark**

Assuming an initial NTA of \$5,000,000 and an NTA of \$4,750,000 at the end of the 12-month performance period (representing a 5% fall in value than at the beginning). As the high-water mark is \$5,000,000 and the closing NTA is \$4,750,000, there would be an aggregate negative performance of \$250,000.

In this instance:

- (A) there would be no performance fee payable for the period as the NTA is less than the high-water mark; and
- (B) the high-water mark remains \$5,000,000.

The aggregate underperformance of \$250,000 is to be carried forward to the following 12-month period until it has been recouped in full against future performance.

(iii) **Example 3: Recovering past underperformance against the high-water mark**

Following on from Example 2 above, given a high-water mark of \$5,000,000, an initial NTA of \$4,750,000, and an NTA that is 15% higher at the end of the subsequent 12-month period of \$5,462,500:

- (A) the aggregate positive performance for the 12-month period is \$712,500;
- (B) the aggregate underperformance of \$250,000 from the prior performance period as per Example 2 above, is recouped in full against the current portfolio performance;
- (C) as such the aggregate positive performance above the high-water mark is only \$462,500;
- (D) assuming the increase in the S&P ASX Small Resources Index over the same period was 5% (representing a positive performance of \$237,500 on a notional portfolio with an initial value of \$4,750,000);
- (E) there would be a performance fee payable at 20% of the outperformance above the high-water mark and outperformance over the index of \$225,000 (being \$462,500 minus \$237,500), equating to \$45,000 for the period, given the NTA is above the high-water mark; and
- (F) the high-water mark would become \$5,417,500 (being the Fund NTA net of the performance fee paid at the last performance fee calculation date).

3. RESOLUTION 2 – NEW INVESTMENT MANAGEMENT AGREEMENT

3.1 General

The Company is seeking Shareholder approval under Resolution 2 for the entry by the Company into the New IMA for the purposes of sections 208 and 195(4) of the Corporations Act.

The Directors consider it prudent to seek Shareholder approval for the New IMA as a matter of good corporate governance on the basis that the provision of financial benefits from the Company to the Investment Manager through the payment of management fees and performance fees, could be construed as a related party transaction for the reasons described below.

3.2 Related Party Transactions Generally

Under Chapter 2E of the Corporations Act, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

For the purposes of the Corporations Act, a related party of a public company includes the directors of the public company and entities "controlled" by the directors.

Section 50AA of the Corporations Act provides that a person "controls" a second entity if that person has the capacity to determine the outcome of decisions about the second entity's financial and operating policies. In determining whether the person has this capacity:

- (a) the practical influence the person can exert (rather than the rights it can enforce) is the issue to be considered; and
- (b) any practice or pattern of behaviour affecting the second entity's financial or operating policies is to be taken into account (even if it involves a breach of an agreement or breach of trust).

The person does not control the second entity merely because the person and a third entity jointly have the capacity to determine the outcome of decisions about the second entity's financial and operating policies.

Section 210 of the Corporations Act provides that shareholder approval is not required to give a financial benefit to a related party if it is on terms that:

- (a) would be reasonable in the circumstances if the public company and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

3.3 Application of the Related Party provisions

The proposed replacement of the Original IMA with the New IMA includes changes which relate to the provision of financial benefits from the Company to AFM Zeus through the payment of management fees and performance fees.

Edward Rigg, David Franklyn and Glen Colgan are related parties of the Company because they are directors of the Company. Messrs Rigg and Colgan are directors of AFM Zeus. Messrs Rigg, Colgan and Franklyn are also directors of other Argonaut Group companies as set out in Section 2.2.

AFM Zeus is a wholly owned subsidiary of AFMPL which in turn is 100% owned by Argonaut. Edward Rigg is a 26.67% shareholder in Argonaut. By virtue of section 608(3) of the Corporations Act, Mr Rigg has a relevant interest in the shares held by Argonaut in AFMPL (which owns AFM Zeus).

Section 228(7) of the Corporations Act provides that an entity is a related party of a public company if the entity "acts in concert" with a related party of the public company on the understanding that the related party will receive a financial benefit if the public company gives the entity a financial benefit.

In this context, Edward Rigg is the largest shareholder in Argonaut which is the ultimate parent company of AFM Zeus. AFM Zeus would be considered a related party of the Company if AFM Zeus were to 'act in concert' with Mr Rigg on the basis that Mr Rigg will stand to receive financial benefits indirectly through his ultimate shareholding in Argonaut, to the extent that AFM Zeus is generating greater fees as a result of the New IMA.

The Directors consider that the 'arm's length' exception from Shareholder approval in section 210 of the Corporations Act may apply on the basis that the proposed fee changes are market standard given the size of the Company as if it were dealing with an independent investment manager. In addition, the proposed management fees overall are lower than the existing management fees at certain fee bands based on the Company's gross assets under management, which would be considered a beneficial change to Shareholders. However, given the potential material personal interest of Mr Rigg in the outcome of Resolution 2, the Directors have resolved to seek Shareholder approval pursuant to Chapter 2E and section 195(4) of the Corporations Act as a matter of good corporate governance.

3.4 Chapter 2E of the Corporations Act

Pursuant to and in accordance with the requirements of section 219 of the Corporations Act, the following information is provided in relation to the transaction the subject of Resolution 2:

- (a) the related party to whom the proposed Resolution 2 would permit financial benefits to be given is AFM Zeus Pty Ltd (ACN 099 813 073), which may be considered a related party of the Company for the reasons set out in Section 3.3;
- (b) the nature of the financial benefit proposed to be given to AFM Zeus is the payment of any management fees and performance fees as the investment manager under the New IMA, which are outlined in section 2.3;
- (c) the financial effect of the entry into the New IMA on the Company is set out in Section 3.5;

- (d) the relevant interests of Edward Rigg and the other Directors in securities of the Company are set out in Section 3.8;
- (e) Edward Rigg declines to make a recommendation to Shareholders in relation to Resolution 2 due to his material personal interest in the outcome of the Resolution on the basis of Mr Rigg's significant shareholding in Argonaut, the ultimate parent company of AFM Zeus; and
- (f) David Franklyn and Glen Colgan have considered the advantages and disadvantages of the New IMA which are set out in Section 3.7. Mr Franklyn and Mr Colgan consider that entry into the New IMA is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 2.

3.5 Financial effect of the New IMA on the Company

The potential financial effect of the New IMA on the Company is set out in Sections 2.3(a) and 2.3(b). As is shown in the worked examples, the Company may pay a higher amount of fees or a lower amount of fees by operation of the New IMA as compared to the Current IMA.

3.6 No change to Board as a result of the Resolution

The Directors confirm that there will be no changes to the Company's Board nor to senior management personnel of the Company if the Resolution is passed.

3.7 Advantages and disadvantages of the New IMA

Advantages

The non-associated Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) the New IMA better aligns the fee structure with how the value of the Portfolio performs relative to the sector it invests in (i.e. S&P ASX Small Resources Index), thus ensuring that performance fees paid are a better reflection of the performance of the Investment Manager;
- (b) the proposed management fee in the New IMA will result in an overall reduction in the management fee payable by the Company to the Investment Manager depending on the applicable fee band based on the Portfolio value;
- (c) the introduction of a high-water mark ensures that a performance fee is not earned by the Investment Manager until the high-water mark is exceeded¹. Shareholders will avoid paying performance fees on performance which is solely recouping losses from previous years;
- (d) the introduction of a termination provision in the New IMA which allows the Company or Investment Manager to terminate the IMA if there are breaches of the material provisions of the IMA; and

¹ The initial high-water mark has been set at a NTA of 40.0 cents per Share. The NTA as at 30 August 2021 was 24.04 cents per Share.

- (e) the replacement of an outdated Original Investment Management Agreement from 2007 with the New IMA which is more reflective of current market standards.

Disadvantages

The non-associated Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Resolution:

- (a) during a sustained period of outperformance of the Portfolio against the benchmark S&P ASX Small Resources Index, the Company may pay higher performance fees to the Investment Manager under the New IMA than previously; and
- (b) the costs associated with the preparation of the New IMA (including legal fees and the costs associated with convening this Shareholder's meeting).

3.8 Directors' interests and recommendations

Mr Rigg's material interest in the outcome of the Resolution are set out in Section 3.3.

Mr Franklyn and Mr Colgan do not have any material interest in the outcome of the Resolution.

The Directors have a relevant interest in the securities of the Company as set out in the following table:

Director	Shares	%
Edward Rigg ¹	2,035,036	26.67%
David Franklyn	108,656	1.34%
Glen Colgan	Nil	0%

Notes:

1. Held by EGR Management Pty Ltd ATF Rigg Super Fund A/C and Argonaut PCF Limited, entities associated with Edward Rigg.

The Board, excluding Edward Rigg has approved the proposal to put the Resolution to Shareholders.

Based on the information available, David Franklyn and Glen Colgan (who do not have a material interest in the Resolution) consider that entry into the New IMA is in the best interests of the Company and its Shareholders, and recommend that Shareholders vote in favour of the Resolution.

Edward Rigg and his associated entities EGR Management Pty Ltd ATF Rigg Super Fund A/C and Argonaut PCF Limited are excluded from voting on Resolution 2. As a matter of good corporate governance, Glen Colgan and David Franklyn will also not vote on Resolution 2. As directors, Mr Colgan and Mr Franklyn are related parties of the Company and Mr Franklyn is also a potential beneficiary of the Company's future performance fees.

Should shareholders vote against Resolution 2, the Original IMA will remain in place and the fees included within the Original IMA will be re-introduced on 1 July 2021, after having been voluntarily foregone for the whole of the 2021 financial year.

4. ENQUIRIES

Shareholders are requested to contact Jenna Converse on + 61 8 9224 6822 if they have any queries in respect of the matters set out in this Notice.

GLOSSARY

\$ means Australian dollars.

AFMPL means Argonaut Funds Management Pty Ltd (ACN 101 152 863).

AFM Zeus or **Investment Manager** means AFM Zeus Pty Ltd (ACN 099 813 073).

AFSL means Australian Financial Services Licence.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

Argonaut Group means the Argonaut corporate group of companies.

Argonaut means Argonaut Limited (ACN 109 326 418).

Auditor's Report means the independent auditor's report set out in the Company's annual financial report for the year ended 30 June 2021.

AWST means Australian Western Standard Time as observed in Perth, Western Australia.

Board means the current board of directors of the Company.

Chair means the chair of the Meeting.

Company means AFM Perseus Fund Limited (ACN 087 023 612).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

New IMA has the meaning given in Section 2.3, the terms of which are summarised in Schedule 1.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

NTA means net tangible assets of the Company.

Original IMA has the meaning given in Section 2.1.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

SCHEDULE 1 - SUMMARY OF NEW IMA

The material terms and conditions of the New IMA are as follows:

1. **(Condition precedent):** The New IMA is subject to and conditional upon the shareholders of the Company in a general meeting passing a resolution approving the entry into the New IMA by the Company for the purposes of Chapter 2E of the Corporations Act and for all other purposes.
2. **(Appointment):** The Company appoints the Investment Manager to invest and manage the Portfolio on behalf of the Company (on a non-exclusive basis). The Investment Manager will in its absolute discretion construct the Portfolio for the Company by selecting the portfolio structure, asset classes and investment instruments having regard to the following Investment Mandate:
 - (a) Diversification of 10 - 25 securities depending on size of Portfolio.
 - (b) Focus on ASX listed resources companies within the Materials, Energy and Mining Services sector (e.g. resources explorers / developers / producers and resources services).
 - (c) Mining service companies can represent up to 30% of the Portfolio being defined as companies that generate at least 20% of revenue from the resources sector. This includes Royalty companies that are entitled to a share of revenue / profits from resource projects.
 - (d) Investments may be in micro to small cap (less than \$50 million market capitalisation), to a maximum of 35% of the portfolio.
 - (e) Investments may be:
 - (i) quoted securities (including on other recognised international securities exchanges); or
 - (ii) unquoted securities, to a maximum of 20% of the portfolio.
 - (f) Short positions may be used to protect the Portfolio in a falling market.
 - (g) The stated intention of any non-listed company into which an investment is made is that it will be the subject of an initial public offering within circa the next 6 months after investment.
 - (h) Investment Guidelines:

Portfolio Composition	LOW	HIGH
Micro Cap Exposure (Mkt Cap < \$50m)	0%	30%
Mining service company exposure	0%	30%
Single commodity Exposure	0%	35%
Cash Weighting	0%	50%
Single company Exposure (Portfolio %) at purchase	0%	20%
Unlisted company exposure	0%	20%
Exposure to recognised international	0%	20%

exchanges		
Short selling	0%	20%

3. **(Limitations on Investment Manager's powers):** The Investment Manager must use its reasonable endeavours not to do anything that it is prohibited from doing by law or the conditions of the AFSL under which it is authorised and must not without the prior consent of the Company:
 - (a) enter into derivative contracts;
 - (b) delegate any of its discretionary investment management powers;
 - (c) charge or encumber in any way (other than as arises by lien in the ordinary course of business or by statutory charge) any asset in the Portfolio; or
 - (d) engage in securities lending in relation to the Portfolio.
4. **(Indemnity):** The Company indemnifies and shall keep indemnified the Investment Manager against any losses or liabilities reasonably incurred by the Investment Manager arising out of, or in connection with, and any costs, charges and expenses incurred in connection with, the Investment Manager or any of its officers or supervised agents acting under the Current IMA or the New IMA or on account of any bona fide investment decision made by the Investment Manager or its officers or supervised agents except insofar as any loss, liability, cost, charge or expense is caused by the gross negligence, fraud or dishonesty of the Investment Manager or its officers or supervised agents.
5. **(Fees payable to the Investment Manager):** The fees payable to the Investment Manager under the New IMA are effective 1 July 2021. The fees payable to the Investment Manager under the New IMA and a comparison of such fees against those payable under the Original IMA are summarised in Section 2.3.
6. **(Expenses of the Investment Manager):** The Company must pay all taxes, costs, charges and expenses properly incurred in connection with the investment and management of the Portfolio or the acquisition, disposal or maintenance of any investment of the Portfolio (including all custodian and clearing house fees, however excluding the in-house administration costs of the Investment Manager including rent, computer charges, salaries, research costs and like expenses).
7. **(Reporting):** The Investment Manager must provide certain monthly, half yearly and annual reports to the Company including in respect of Portfolio holdings, transactions and investment performance.
8. **(Termination by the Company):** The Company may terminate the New IMA:
 - (a) on 3 months' written notice to the Investment Manager during the initial term of 5 years, upon which the Company shall (unless waived by the Investment Manager in writing) pay to the Investment Manager a termination fee equal to the higher of:
 - (i) \$1 million; and
 - (ii) the aggregate sum of management fees' received by the Investment Manager in the 3 years preceding the date of notice of termination;

- (b) on 1 month's written notice to the Investment Manager after the initial term;
or
- (c) immediately by written notice to the Investment Manager if:
 - (i) a receiver, receiver and manager, administrative receiver or similar person is appointed with respect to the assets and undertakings of the Investment Manager;
 - (ii) the Investment Manager:
 - (A) goes into liquidation (other than for the purposes of a reconstruction or amalgamation on terms previously approved in writing by the Company);
 - (B) ceases to carry on business in relation to its activities as an investment manager; or
 - (C) breaches any material provision of the New IMA, and the Investment Manager fails to correct such breach within 10 Business Days of receiving notice in writing from the Company specifying such breach or failure;
 - (iii) the Investment Manager sells or transfers or makes any agreement for the sale or transfer of the main business and undertaking of the Investment Manager or of a beneficial interest therein, other than to a related body corporate for purposes of corporate reconstruction on terms previously approved in writing by the Company; or
 - (iv) the Investment Manager ceases to be licensed or authorised under law or is unable to carry out its duties because it has ceased to hold necessary legal authorisations to operate as an investment manager.

9. **(Termination by the Investment Manager):** The Investment Manager may terminate the New IMA:

- (a) on 1 month's written notice to the Company; or
- (b) immediately by written notice to the Company if the Investment Manager is required to do so at any time or considers it reasonable necessary to do so in order to ensure compliance with its duties and obligations under law.

The New IMA otherwise contains representations and warranties and other provisions which are considered standard for an agreement of its nature.

PROXY FORM

AFM PERSEUS FUND LIMITED
ACN 087 023 612

ANNUAL GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at Level 30, Allendale Square, 77 St Georges Terrace, Perth, Western Australia on 1 November 2021 at 1:00 pm AWST, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution.

Voting on business of the Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Re-election of Director – David Franklyn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	New Investment Management Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date:

Contact name:

Contact ph (daytime):

E-mail address:

Consent for contact by e-mail
in relation to this Proxy Form:

YES NO

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Level 30, Allendale Square, 77 St Georges Terrace, Perth, WA 6000; or
 - (b) email to the Company at: argonautfundsmangement@argonaut.com,

so that it is received not less than 48 hours prior to commencement of the Meeting (AWST).

Proxy Forms received later than this time will be invalid.