



ACORN CAPITAL

Prospectus

Acorn Capital
Investment Fund Limited

ACN 167 595 897

An Offer of Shares (together with one Option to acquire one Share for every one Share issued) to raise a minimum of \$50 million and up to an aggregate of \$100 million.

This Prospectus is an important document and should be read in its entirety. You should seek professional advice if you have any questions about the Shares and Options being offered under this Prospectus, or any other matter relating to an investment in the Company.

Joint Lead Managers

Baillieu Holst Ltd
(AFSL 245421)

Bell Potter Securities Limited
(AFSL 243480)

Morgans Financial Limited
(AFSL 235410)

T.C. Corporate Pty Ltd
(AFSL 247083)

Authorised Intermediary

Baillieu Holst Ltd
(AFSL 245421)

Baillieu Holst
Since 1880

BELL POTTER

Morgans MEMBER OF THE **CIMB**

TAYLOR COLLISON
Member of the CIB Group

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Important notices

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this Prospectus.

Acorn Capital Investment Fund Limited (Company) is a public company incorporated in Australia.

Lodgement and listing

The Prospectus is dated 26 March 2014 and has been lodged with the Australian Securities and Investments Commission (ASIC). This is a replacement prospectus which replaced the prospectus dated 11 March 2014 and lodged with ASIC on that date (Original Prospectus). This Prospectus expires on 25 April 2015 (Expiry Date). No Shares or Options will be allotted, issued, transferred or sold on the basis of this Prospectus after the Expiry Date.

The Company applied to ASX Limited (ASX) within 7 days after the date of the Original Prospectus, for admission to the Official List and for Official Quotation of the Shares on issue as at the date of this Prospectus and the Shares and Options issued under the Offer.

Neither ASIC nor ASX takes any responsibility for the content of this Prospectus. Admission to the Official List is in no way an indication of the merits of the Offer or the Company.

Offer

This Prospectus contains an invitation to apply for Shares (together with one Option to acquire one Share for every one Share issued). The Options are issued for nil consideration and are exercisable at \$1.00 each. The Company reserves the right to accept subscriptions for Shares and Options to raise up to an aggregate \$100 million. No Shares or Options will be issued until the Minimum Subscription amount of \$50 million has been received.

No person is authorised to provide any information, or to make any representation, about the Company or the Offer that is not contained in this Prospectus. Potential investors should only rely on the information contained in this Prospectus. Any information or representation not contained in the Prospectus may not be relied on as having been authorised by the Company in connection with the Offer. Except as required by law and only to the extent required by such law, neither the Company nor any other person associated with the Company or the Offer guarantees or warrants the future performance of the Company, the return on an investment made under the Prospectus, the repayment of capital or the payment of dividends on the Shares.

Before deciding to invest in the Company, investors should read the entire Prospectus. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares or Options offered under the Prospectus. The Offer does not take into account the investment objectives, financial situation or particular needs of individual investors. An investment in the Company should be considered speculative. You should carefully consider the risks (including those set out in Section 5) that impact on the Company in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to deciding to invest in the Company. No cooling-off

regime (whether provided for by law or otherwise) applies in respect of the acquisition of Shares or Options under this Prospectus.

Forward-Looking Statements

This Prospectus contains forward-looking statements, statements identified by use of the words "believes", "estimates", "anticipates", "expects", "predicts", "intends", "targets", "plans", "goals", "outlook", "aims", "guidance", "forecasts", "may", "will", "would", "could" or "should" and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Company, its Directors and its management. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

As set out above, the Company does not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. The Company does not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in Section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this Prospectus.

Important information for New Zealand investors

This Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 6D of the Corporations Act and the Corporations Regulations 2001 (Cth) (Regulations). In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements relating to investments in New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Securities is not New Zealand dollars. The value of the Securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand, in New Zealand dollars.

If the Securities are able to be traded on a securities market and you wish to trade the Securities through that market, you will have to make arrangements for a participant in that market to sell the Securities on your behalf. If the Securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Securities and trading may differ from securities markets that operate in New Zealand.

A copy of this Prospectus and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office under the mutual recognition regime.

While the Offer is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited.

Exposure period

Pursuant to the Corporations Act, this Prospectus is subject to an exposure period of 7 days after the date of lodgement with ASIC, which period may be extended by ASIC by a further period of 7 days.

The Exposure Period enables this Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus. If deficiencies are detected, the Company will:

- return any Application Monies that the Company has received;
- provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency, and give each Applicant the option to withdraw the Application within 1 month and be repaid the Subscription Amount; or
- issue to each Applicant the Shares and Options applied for in the Application, provide each Applicant with a supplementary or replacement Prospectus that corrects the deficiency and give each Applicant the option to withdraw the Application within 1 month and be repaid the Application Monies.

Application Forms received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on Application Forms received during the Exposure Period and all Application Forms received during the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Electronic Prospectus

The Prospectus may be viewed online at www.acifipo.com.au.

The Offer pursuant to this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia, New Zealand, Hong Kong, Singapore, Malaysia and Papua New Guinea. The Company is entitled to refuse an application for Securities under this Prospectus if it believes the Applicant received the Offer outside Australia in non compliance with the laws of the relevant foreign jurisdictions.

Any person accessing the electronic version of this Prospectus, for the purpose of making an investment in the Company, must only access the Prospectus from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this Prospectus is not restricted by law.

Securities to which this Prospectus relates will only be issued on receipt of an Application Form issued together with the Prospectus.

Applications must be made by completing the Application Form that forms part of, is attached to, or accompanies this Prospectus or applying online at www.acifipo.com.au. Application Forms must be completed in accordance with the accompanying instructions.

Applicants may apply online for the Securities. Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to a hard copy of this Prospectus or accompanies the complete and unaltered electronic version of this Prospectus.

During the Offer Period, any person may obtain a paper copy of this Prospectus by contacting the Share Registry's offer information line on 1300 457 839 (within Australia) or +61 3 9415 4233 (outside Australia). Questions relating to the Offer may also be directed to the Share Registry's offer information line.

Foreign investors

Please refer to Section 2.11 in relation to the ability of foreign investors to participate as Applicants in the Offer.

Information about the Manager

This Prospectus contains certain information about the Manager, its directors, senior executives and business. It also contains details of its investment approach, strategy and philosophy. To the extent that the Prospectus includes statements by the Manager or includes statements based on any statement of, or information provided by, the Manager, the Manager consents to each such statement being included in the Prospectus in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of this Prospectus.

Authorised Intermediary

The issuer of the Prospectus is the Company. Offers of Securities under this Prospectus will be made under an arrangement between the Company and Baillieu Holst Ltd (Authorised Intermediary), as a holder of an Australian Financial Services Licence, under Section 911A(2)(b) of the Corporations Act. The Company has authorised the Authorised Intermediary to make offers to arrange for the issue of the Shares and Options under the Prospectus and the Company will only issue the Securities in accordance with those offers and no others.

Privacy

By completing an Application Form, you are providing personal information to the Company and Computershare Investor Services Pty Limited as the Share Registry, which is contracted by the Company to manage Applications, and you consent to the collection and use of that personal information in accordance with these terms. That personal information will be collected, held and used both in and outside of Australia by the Company, and the Share Registry on its behalf, to process your Application, service your needs as a security holder, provide facilities and services that you request and carry out appropriate administration of your investment. If you do not wish to provide this information, the Company may not be able to process your Application.

Once you become a security holder, the Corporations Act requires information about you (including your name, address and details of the Shares and Options you hold) to be included in the Company's public Share and Option registers. This information must continue to be included in the Company's public Share and Option registers even if you cease to be a security holder.

The Company and the Share Registry on its behalf, may disclose your personal information for purposes related to your investment to their agents and service providers (which may be located outside of Australia) including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Company's public Share and Option registers;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- the Joint Lead Managers in order to assess your Application;
- market research companies for the purpose of analysing the Company's Shareholder base and for product development and planning; and

- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering and advising on the Securities and for associated actions.

Under the Privacy Act 1988 (Cth), you may request access to your personal information that is held by, or on behalf of, the Company. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Company or its Share Registry, details of which are set out elsewhere in this Prospectus. The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder and Optionholder registers will be accessible by the public.

Currency

References in this Prospectus to currency are to Australian dollars unless otherwise indicated.

Glossary

Certain terms and abbreviations in this Prospectus have defined meanings that are explained in the Glossary to this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter.

Diagrams

Diagrams used in this Prospectus are illustrative only.

Applications

By lodging an Application Form, you declare that you were given access to the entire Prospectus, together with an Application Form. The Company will not accept a completed Application Form if it has reason to believe that an Application Form lodged by an Applicant was not accompanied by, or attached to, the Prospectus or if it has reason to believe that the Application Form has been altered or tampered with in any way.

Detailed instructions on completing the Application Form can be found on the back of the Application Form. The acceptance of an Application Form and the allocation of Shares and Options are at the discretion of the Company.

Company website

Any references to documents included on the Company or Manager's website are provided for convenience only, and none of the documents or other information on the website is incorporated by reference into this Prospectus.

Important dates

Lodgement of the replacement Prospectus with ASIC	26 March 2014
Offer opens	9.00am, 27 March 2014
Offer closes	5.00pm, 11 April 2014
Expected final date for issue of Shares and Options	22 April 2014
Trading of Shares and Options expected to commence on ASX	30 April 2014
Exercise period for the Options	18 months from the date of issue of the Options (which is currently anticipated to occur on or about 22 April 2014)

The above timetable is indicative only. The Company reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable laws. In particular, the Company reserves the right to close the Offer early, extend the Closing Date or accept late Applications (generally or in particular cases) without notifying any recipients of this Prospectus or any Applicants. Investors who wish to submit an Application are encouraged to do so as soon as practicable after the Offer opens.

Key Offer Information

Key Offer Statistics

Lodgement of the replacement Prospectus with ASIC	26 March 2014
Proposed ASX Code	ACQ: Shares ACQO: Options
Securities offered	Shares and Options
Issue Price of Shares	General Offer – \$1.00 per Share Broker Firm Offer – 98.35 cents per Share ¹ Broker Firm Offer – \$1.00 per Share ²
Minimum number of Shares and Options available under the Offer ³	50,000,000 Shares 50,000,000 Options
Maximum number of Shares and Options available under the Offer ⁴	101,677,682 Shares 101,677,682 Options
Minimum Gross Proceeds from the Offer	\$50 million
Maximum Gross Proceeds from the Offer	\$100 million
Exercise price per Option	\$1.00
Maximum total number of Shares on issue following the Offer (before the exercise of any Options) ⁴	101,677,683
Proforma net asset value backing per Share based on the Minimum Subscription (based on the unaudited statements of financial position set out in Section 7.2) ⁵	0.9783
Proforma net asset value backing per Share based on the maximum subscription of \$100 million being achieved (based on the unaudited statements of financial position set out in Section 7.2) ⁵	0.9811

Notes:

1. wholesale Applicants or retail Applicants who provide consent to the payment of the Service Fee to which is added the Service Fee of 1.65 cents per Share (inclusive of GST).
2. applicable only to retail Applicants who do not provide consent to the payment of the Service Fee.
3. this is calculated on the assumption that 100% of the Offer is raised under the General Offer.
4. this is calculated on the assumption that 100% of the Offer is raised under the Broker Firm Offer.
5. this is calculated on the assumption that 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer.

Chairman's Letter

26 March 2014

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder of Acorn Capital Investment Fund Limited (Company). The Company has been established to invest in a diversified portfolio of Australian Securities Exchange (ASX) listed securities, unlisted Australian securities and securities that, although not issued by an Australian-incorporated entity have an Australian Nexus with the objective of providing long-term capital growth.

The Company is seeking to obtain a listing on ASX and raise up to \$100 million under the Offer, together with Options issued on a one-for-one basis with Shares issued under the Offer. The Options are exercisable on or before the date being 18 months from the date of issue of the Options (which is currently anticipated to occur on or about 22 April 2014). Options will be deemed to have been exercised on the last day of the month in which the Notice of Exercise of Options is lodged with the Company.

The Offer will provide investors with the opportunity to gain access to an Investment Portfolio managed by Acorn Capital Limited (Manager), an established boutique asset manager with a long track record of successfully investing in Microcap Companies. The Manager currently manages \$1.1 billion (as at 31 January 2014).

The Manager's investment philosophy is based on a belief that there are pricing inefficiencies amongst Microcap Companies due to a lack of readily available external research conducted on such entities. The application of a substantially similar investment strategy by the Manager since February 2009 has produced average annualised returns (pre-fee and pre-tax) of approximately 25% per annum and 15.8% outperformance against the S&P/ASX Small Ordinaries Accumulation Index. **The information on past performance referred to above should not be relied upon as an indication of future performance of the Company.**

The aim of the Company's investment strategy is to create a portfolio of listed and unlisted securities whilst retaining many of the risk management benefits of portfolio diversification. The Manager attempts to identify what it perceives to be the "best value" investment opportunities within each industry sector regardless of whether such opportunities are listed or unlisted. The success of the investment strategy ultimately depends on the Manager's expertise in selecting appropriate investments.

The investment strategy is implemented by the Manager's team who possess a broad skill set in the analysis of and investment in Microcap Companies.

The Company's Investment Portfolio is likely to exhibit volatility but it should be noted that, for a well-diversified investor, the analogous investment strategy that the Manager has run since 2009, is estimated to have a level of risk (as measured by beta) that, for a well-diversified Australian investor, is comparable to an investment in the All Ordinaries Accumulation Index over the same period.

Certain shareholders, directors and employees of the Manager have indicated an intention to apply for Securities under the Offer.

We believe that having the interests of the Manager aligned with those of the Company, combined with the Manager's focus on corporate governance, will assist the Company's investment performance over the long term.

I encourage you to read this Prospectus in full and carefully consider it before making your investment decision. This Prospectus contains detailed information about the Offer, the Company's primary investment strategy, the role of the Manager and the Manager's investment mandate. Like other newly formed listed investment businesses, the Company is subject to a range of risks including limited access to capital, the likely limited liquidity in the Securities offered, greater exposure to volatility in the Microcap sector (including unlisted securities) as compared to the broader securities market, underperformance by the Manager in implementing the investment strategy, loss of the Manager's services and a decline in the value of the Investment Portfolio.

I am excited about the outlook for the Company and look forward to welcoming you as a Shareholder.

Yours faithfully,

John Steven
Chairman

1. Investment overview

1.1 Introduction and overview of the Company's business

Topic	Summary	For more information
<p>What is the business of the Company?</p>	<p>The Company is a newly incorporated Australian public company which has not yet conducted any operations. Upon completion of the Offer, the Company will be a listed investment company that will invest in "Microcap Companies", being entities which, at the time of investment by the Manager, have an equity valuation less than that of the 250th largest entity listed on ASX (approximately \$445 million as at 31 January 2014).</p> <p>The Company's objective is to achieve after-fee returns on the Investment Portfolio in the long term that are higher than the S&P/ASX Small Ordinaries Accumulation Index, through long-term capital growth by way of investment in a diversified portfolio of Microcap Companies.</p> <p>The Company's Investment Portfolio will be managed by the Manager. The Company will provide investors with the opportunity to access an actively managed portfolio and gain exposure to the investment experience and expertise of the Manager.</p> <p>It is intended that the Company's Investment Portfolio will be diversified by industry sector and through the number of investments held. The securities will be Listed Microcaps or Unlisted Microcaps (with an Australian Nexus). The Company will invest only in equity or equity linked securities (see Section 3 for further details).</p>	<p>Section 3</p>
<p>What is the Company's primary investment strategy?</p>	<p>The Company's investment strategy is to create a diversified portfolio of Microcap Companies using a disciplined investment process implemented by experienced sector specialists. In this respect, the Company, through its Investment Portfolio, will provide investors with access to a portfolio of Listed Microcaps and Unlisted Microcaps (with an Australian Nexus) with a risk and return profile different to that of the ASX-250.</p> <p>The Investment Portfolio will be diversified across all industry sectors in the Microcap universe and will initially be created from Listed Microcaps. As relatively more attractive opportunities in Unlisted Microcaps (with an Australian Nexus) are identified (after adjusting for elevated risks, such as liquidity), investments in Unlisted Microcaps (with an Australian Nexus) will be made in substitution for existing investments in Listed Microcaps.</p> <p>The Manager aims to exploit inefficiencies in the pricing of Microcap Companies. These inefficiencies typically result from information gaps due to what the Manager considers to be a lack of research amongst Microcap Companies in general and Unlisted Microcaps in particular.</p> <p>The Manager seeks to identify opportunities for long term capital growth through research which includes regular investee company interaction.</p> <p>The Manager believes that through a research driven investment process the pricing inefficiencies that exist in both Listed Microcaps and Unlisted Microcaps can be exploited to earn superior returns to those available in the broader market.</p> <p>Please note that the investment strategy set out above may be impacted by various factors outside the control of the Company and are subject to the risks set out in Section 5.</p>	<p>Sections 3 and 5</p>

<p>What are the key highlights of the Offer?</p>	<p>Taking up this Offer will allow investors to:</p> <ul style="list-style-type: none"> ■ access a leading boutique investment manager with a track record of investment in Microcap Companies that has outperformed the All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index on a per annum basis since 2000; ■ access a distinctive investment strategy that provides investors with exposure to a large universe (in terms of investment opportunities) of listed and unlisted securities which has not previously been offered to retail investors; ■ access unlisted markets while retaining the benefits of portfolio diversification; ■ gain exposure to a large (relative to the number of companies in the ASX-250) and under-researched (and hence less efficient) market where the Manager's established research capability can be exploited; ■ diversify their existing portfolio by gaining exposure to an investment universe that is compositionally different to the ASX-250 by both industry sector and stage of development; ■ gain early access to companies within a sector that historically has been the breeding ground for the larger capitalised companies of the future; ■ enjoy the benefits of the research-driven investment process and portfolio management techniques of the Manager that have been developed over the past 15 years which seek to enable the Manager to: <ul style="list-style-type: none"> – identify what it considers the best investment opportunities within a given industry sector; and – manage portfolio risk; ■ take advantage of a Management Fee and Performance Fee structure which, the Manager believes, compares favourably to externally managed small cap companies, LICs and private equity funds; ■ benefit from a Performance Fee structure which may result in the Manager losing up to 50% of its Performance Fee if there is a period of underperformance of the Investment Portfolio (refer to Section 10.1 for further details); ■ invest in a company that will have no permitted leverage (apart from partly paid securities or securities payable in instalments), or short selling in the Investment Portfolio; ■ oversight from a Board with strong experience in capital markets, corporate governance and investment, with a focus on cost control and efficiency; and ■ receive payment of dividends that are fully franked (to the extent applicable and as determined by the Board). <p>Please refer to sections 1.3 and 5 for the risks to investors in relation to an investment in the Company.</p>	<p>Section 3 and 4</p>
<p>What is the financial position of the Company?</p>	<p>While the Company is yet to commence trading, unaudited statements of its financial position as at 26 March 2014 are set out in Section 7.</p>	<p>Section 7</p>
<p>Will any related party have a significant interest in the Company or the Offer?</p>	<p>As at the date of this Prospectus, the Manager is the sole Shareholder of the Company and is therefore a related party of the Company. The Company and the Manager have entered into a Management Agreement pursuant to which the Manager is entitled to be paid certain fees by the Company. Further details of the Management Agreement are set out below and in Section 10.1.</p> <p>Barry Fairley is the Managing Director of the Manager and Robert Brown is a director and chairman of a subsidiary of the Manager. Both Messrs Fairley and Brown are Directors of the Company. For further details, refer to Section 6.1.</p> <p>It is also proposed that a member of the Australian Unity Funds Management Limited (a member of the Australian Unity Limited group (whose various subsidiaries together own approximately 44% of the fully diluted equity interests in the Manager)) will act as a co-manager to the Offer and will be paid the Service Fee to the extent applicable. For the avoidance of doubt, Australian Unity Funds Management Limited's role (if any) is limited to assisting the Joint Lead Managers in arranging and managing the marketing of the Offer and where relevant, act as bookrunners for the Offer.</p> <p>Certain shareholders, directors and employees of the Manager have indicated an intention to apply for Securities under the Offer.</p> <p>Other than as set out above, there are no existing agreements or arrangements nor any currently proposed transactions in which the Company was, or is to be, a participant and in which any related party of the Company has or will have a direct or indirect interest in the Company or the Offer.</p>	<p>Section 10 in relation to the Management Agreement</p>

<p>Who manages the Investment Portfolio?</p>	<p>Acorn Capital Limited (Australian Financial Services Licence (No. 227605) has been appointed as the Manager to manage the Investment Portfolio for the Company.</p> <p>The Manager is a specialist Microcap fund manager that was founded in 1998 and has a long-term track record of managing Microcap equities for institutional investors.</p> <p>The Manager has over \$1.1 billion in funds under management (as at 31 January 2014).</p> <p>The Company believes that its Directors and the Manager bring together significant experience and expertise in funds management, listed and unlisted equities, corporate governance and in providing comprehensive financial and investment advice.</p> <p>Details of the Board and the experience and credentials of the Manager are set out in Sections 6.1 and 4 respectively.</p> <p>A summary of the material provisions of the Management Agreement is set out in Section 10.1.</p>	<p>Sections 3, 4, 6.1 and 10</p>												
<p>What is the Company's investment mandate?</p>	<p>The Company's primary objective is to achieve after-fee returns on the Investment Portfolio in the long term that are higher than the S&P/ASX Small Ordinaries Accumulation Index, through long-term capital growth by way of investment in a diversified portfolio of ASX listed equities, Australian-incorporated unlisted equities and other investment securities (with an Australian Nexus) which the Manager considers to be undervalued.</p> <p>An investment in an entity with an Australian Nexus includes an investment where the entity is a non-Australian incorporated entity (which is not listed on ASX), but which the Manager considers has a close connection to Australia (for example where the main assets of the entity are located in Australia, the key management of the entity resides in Australia or the entity has indicated to the Manager its intention to list on the Official List within 3 to 5 years).</p> <p>The Manager has operated an investment strategy that is substantially the same as the proposed investment strategy of the Company, on behalf of institutional clients since February 2009 (Existing Strategy). The historical performance of the Existing Strategy achieved a total pre-fee and pre-tax return of 200.9% since its inception in February 2009, which compares favourably against the S&P/ASX Small Ordinaries Accumulation Index total return of 54.4% (as at 31 January 2014).</p> <p>The Existing Strategy has demonstrated strong pre-fee and pre-tax performance historically as illustrated in the table below:</p> <table border="1" data-bbox="443 1137 1050 1536"> <thead> <tr> <th></th> <th>Since inception in February 2009 (per annum)</th> <th>Total return since inception in February 2009</th> </tr> </thead> <tbody> <tr> <td>Existing Strategy¹</td> <td>24.9%</td> <td>200.9%</td> </tr> <tr> <td>S&P/ASX Small Ordinaries Accumulation Index</td> <td>9.2%</td> <td>54.4%</td> </tr> <tr> <td>All Ordinaries Accumulation Index</td> <td>13.7%</td> <td>88.7%</td> </tr> </tbody> </table> <p>Performance figures indicated include valuations by the Manager of unlisted investments included in the relevant investment portfolio. The information on past performance of the Existing Strategy included in this Section 1.1 should not be relied upon as an indication of future performance of the Company.</p>		Since inception in February 2009 (per annum)	Total return since inception in February 2009	Existing Strategy ¹	24.9%	200.9%	S&P/ASX Small Ordinaries Accumulation Index	9.2%	54.4%	All Ordinaries Accumulation Index	13.7%	88.7%	<p>Section 3 and 4</p>
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All Ordinaries Accumulation Index	13.7%	88.7%												

1. The performance returns are calculated from the daily change in Portfolio Market Value of the Existing Strategy for the period stated and represent the combined income and capital return on a reinvested (compound) basis. The unit trust structure set up to implement the Existing Strategy, unlike the Company, is not liable to pay Australian income tax.

	<p>The structure of the Existing Strategy differs from the proposed investment strategy of the Company in that investors in the former subscribe for units in an unlisted unit trust rather than shares in an Australian public company (as is the case for the Company) and therefore have rights of withdrawal not available to investors in the Company.</p> <p>In addition, the Company's investment strategy will allow for more flexibility in cash holdings and benchmark weightings than the Existing Strategy.</p> <p>The pre-fee and pre-tax returns achieved by the Existing Strategy as at 31 January 2014, as set out in the table above, relate to historical performance only and do not relate to the future performance of the Company.</p>	
What are the key terms of the Management Agreement?	<p>The Manager will be responsible for managing the Investment Portfolio in accordance with the investment objectives, strategy, guidelines and permitted investments set out in Section 3.</p> <p>The Management Agreement provides for the appointment of the Manager for an initial term of 5 years. Subject to Shareholder approval, the Management Agreement may be extended for a further 5 year term. After the end of the 'Term' (as defined in the Management Agreement), the Management Agreement will continue until terminated in accordance with the Management Agreement. The Manager is entitled to terminate the Management Agreement by not less than 3 months written notice to the Company.</p>	
	<p>The Company will pay the Manager a Management Fee of 0.95% p.a. (plus GST) of the net asset value of the Investment Portfolio from time to time, which is calculated and accrued each month and paid semi-annually in arrears. In addition, the Manager will be entitled to receive a Performance Fee from the Company equal to 20% (plus GST) of the Investment Portfolio's outperformance of the S&P/ASX Small Ordinaries Accumulation Index (Performance Fee), which is calculated and accrued monthly on a pre-tax basis and, where tests are satisfied, any positive performance fee amounts that are in excess of the Minimum Performance Fee Account Balance (as defined in the Management Agreement) are paid annually.</p> <p>(Refer to Section 10.1 for more details in relation to the amount and calculation of the Management Fee and Performance Fee).</p>	Sections 3 and 10
Does the Board approve investments?	<p>Board approval is not required for investments undertaken by the Manager that are in accordance with the Company's investment objectives, strategies, guidelines and permitted investments. Any investments that the Manager proposes outside of these parameters must be approved by the Board.</p>	Sections 3.5, 3.6 and 3.8
Will the Company pay dividends?	<p>The Company currently intends to pay semi-annual dividends to Shareholders. However, as the objective of the Company is long term capital growth, it is likely that dividends may be low (or nil) during initial investment years and there may be periods in respect of which dividends are not paid at all.</p> <p>The amount of any dividend will be at the complete discretion of the Board and will depend on a number of factors, including expectation of future earnings, capital requirements, financial conditions, future prospects, laws relating to dividends, and other factors that the Board deem relevant.</p> <p>It is the current Board policy that all dividends paid to Shareholders will be franked to 100% (or to the maximum extent possible).</p> <p>No assurances can be given about the payment of any dividend and the level of franking on any such dividend. Please note that the proposals set out above may be impacted by various factors outside the control of the Company and are subject to the risks set out in Section 5.</p>	Section 3.9
Does the Company have any other material contracts?	<p>In addition to the Management Agreement, the Company has entered into an Offer Management Agreement with respect to the Offer.</p> <p>The Offer Management Agreement also includes provisions governing Baillieu Holst Ltd's role as the Authorised Intermediary. Refer to Section 10 for further details.</p>	Section 10

1.2 Overview of the Offer

Topic	Summary	For more information									
What is the Offer?	<p>The Company is offering Shares (and a like number of Options for issue) to raise a minimum of \$50 million and up to an aggregate \$100 million.</p> <p>For details relating to the rights and liabilities of the Shares, refer to Section 11.4. For the terms and conditions of the Options and the rights and liabilities of the Options, refer to the Appendix and Section 11.3 respectively.</p>	Sections 2, 11.3 and 11.4									
Who is the issuer?	Acorn Capital Investment Fund Limited, a public limited liability company registered in Victoria.	Section 2									
Why is the Offer being conducted?	The Company is offering the Securities to raise funds to undertake investments consistent with the investment objectives and guidelines outlined in this Prospectus, to pay the costs of the Offer and to obtain a listing on ASX.	Section 2.1									
What is the minimum application size?	\$2,000 for 2,000 Shares and a like number of Options, with incremental multiples of 500 Shares and Options (i.e. in incremental multiples of at least \$500).	Section 2.6									
How can I apply?	<p>You may apply for Shares under the General Offer by completing the Application Form accompanying or included in this Prospectus or online at www.acifipo.com.au. Any Applicants applying online must personally complete the online Application Form. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).</p> <p>Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Offer Application Form accompanying this Prospectus.</p>	Section 2.6									
What is the capital structure of the Company following completion of the Offer?	<p>On completion of the Offer, the capital structure of the Company (assuming 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer and all retail Applicants consent to the payment of the Service Fee and before the exercise of any Options will be as set out below:</p> <table border="1"> <thead> <tr> <th></th> <th>Minimum Subscription \$50,000,000</th> <th>Maximum subscription \$100,000,000</th> </tr> </thead> <tbody> <tr> <td>Shares</td> <td>50,419,421</td> <td>100,838,842</td> </tr> <tr> <td>Options</td> <td>50,419,420</td> <td>100,838,841</td> </tr> </tbody> </table>		Minimum Subscription \$50,000,000	Maximum subscription \$100,000,000	Shares	50,419,421	100,838,842	Options	50,419,420	100,838,841	Section 7.3
	Minimum Subscription \$50,000,000	Maximum subscription \$100,000,000									
Shares	50,419,421	100,838,842									
Options	50,419,420	100,838,841									
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> the Broker Firm Offer; and the General Offer. 	Section 2.1									
Who can participate in the Offer?	<p>Investors that have a registered address in Australia or New Zealand can participate in the General Offer.</p> <p>The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who are Applicants who have a registered address in Australia, New Zealand, Hong Kong, Singapore, Malaysia or Papua New Guinea.</p>	Section 2.1									
Who are the Joint Lead Managers to the Offer?	<p>The Joint Lead Managers are:</p> <ul style="list-style-type: none"> Baillieu Holst Ltd (also the Authorised Intermediary); Morgans Financial Ltd; T.C. Corporate Pty Ltd; and Bell Potter Securities Limited. 	Section 10.2									
Is the Offer underwritten?	No.	Section 2.5									

<p>What do Applicants pay when applying under the Offer?</p>	<p>Applicants under the General Offer will pay an Application Amount of \$1.00 per Share.</p> <p>Both retail Applicants who provide consent to the payment of the Service Fee and institutional Applicants under the Broker Firm Offer will be required to pay an Application Amount of \$1.00 per Share (comprising the Subscription Amount of 98.35 cents per Share, payable to the Company and a Service Fee of 1.65 cents per Share (inclusive of GST) payable to their Broker).</p> <p>Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer).</p> <p>If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share).</p> <p>Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless pay an Application Amount of \$1.00 per Share which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.</p>	<p>Section 2.4</p>
<p>What is the allocation policy?</p>	<p>In allocating the Securities, it is the intention of the Board to ensure that the Company has an adequate spread of Shareholders. The allocation of the Securities is at the absolute discretion of the Directors (in consultation with the Joint Lead Managers).</p> <p>It is currently anticipated that certain shareholders, directors and employees of the Manager will be permitted to participate in the Offer.</p>	<p>Section 2.7</p>
<p>What fees and costs are payable to the Joint Lead Managers and Brokers?</p>	<p>The Company will pay to the Joint Lead Managers a management fee of 1% (exclusive of GST) of the gross proceeds of the Offer.</p> <p>Securities will be allotted under the Broker Firm Offer provided the Application Forms are received or commitments are given to the Joint Lead Managers to lodge the Application Forms by 11 April 2014.</p> <p>The Application Amount payable by retail Applicants who provide consent to the payment of the Service Fee and institutional Applicants under the Broker Firm Offer is \$1.00 per Share comprising the Subscription Amount of 98.35 cents per Share payable to the Company and the Service Fee of 1.65 cents per Share (inclusive of GST) payable to their Broker.</p> <p>Retail Applicants who receive a firm allocation from a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer).</p> <p>If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share).</p> <p>Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.</p> <p>This Service Fee does not apply to, and is not payable by, Applicants under the General Offer or retail Applicants under the Broker Firm Offer who do not provide their consent.</p> <p>The Offer Management Agreement also includes provisions governing Baillieu Holst Ltd's role as the Authorised Intermediary. A fee of \$1 (excluding GST) is payable by the Company to Baillieu Holst Ltd in respect of its services as the Authorised Intermediary.</p>	<p>Sections 2.4 and 10.2</p>
<p>Will the Shares and Options be listed?</p>	<p>Yes. The Company will apply to be admitted to the Official List and will seek quotation of the Shares and Options on ASX (as well as existing Shares in the Company).</p>	<p>Section 2.9</p>

What are the tax implications of investing in Shares and Options?	The tax consequence for an investor of any investment in the Shares and Options will depend upon the investor's particular circumstances. Applicants should obtain their own tax advice before deciding whether to invest.	Section 9
What are the consequences of the Company's status as a LIC?	On the basis of the current investment strategy, it is anticipated that the Company will generally be considered to hold its investments on revenue account. Consequently, it is likely that the Company will generally not make capital gains and therefore Shareholders will not be able to obtain taxation benefits under the LIC regime.	Section 3.10
Can the Company issue additional Shares and Options or other securities?	Yes, subject to the restriction under the Offer Management Agreement (refer Section 10.2 for further details).	Not applicable
When will I receive confirmation that my Application has been successful?	The Company expects that holding statements will be sent by standard post on or around 23 April 2014.	Not applicable
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares and Options to successful Applicants. If the Offer does not proceed, Application Monies (including amounts paid on account of the Service Fee) will be refunded. No interest will be paid on any refunded Application Monies.	Section 2.1
Is there a cooling-off period?	No.	Important Notices
Where can I find key financial information relating to the Company?	The Company has only recently been incorporated and to date has undertaken no business activity (other than the preparation of the Prospectus). Please refer to Section 7.2 for unaudited statements of financial position in respect of the Company.	Section 7
How can I obtain further information?	If you would like more information or have any questions relating to the Offer, please call the Share Registry's offer information line on 1300 457 839 (within Australia) or +61 3 9415 4233 (outside Australia), between 8.30am and 5.00pm AEST. If you are uncertain as to whether an investment in the Company is suitable for you, please contact your stockbroker, financial adviser, accountant, lawyer or other professional adviser.	Important notices

1.3 Investment risks

Topic	Summary	For more information
<p>What are the risks of investing in the Shares and Options?</p>	<p>An investment in the Company should be considered speculative. You should give full consideration to this Section 1.3 and the detailed discussion of risks that is set out in Section 5 of the Prospectus.</p> <p>The key risks associated with an investment in the Company include:</p> <ul style="list-style-type: none"> ■ Microcap Companies are likely to be at an early stage of development, possess limited financial profiles, and may not have access to capital on acceptable terms. Consequently, early stage Microcap Companies in the Investment Portfolio will most likely be heavily reliant on the Company and other investors for access to capital; ■ the ability of a Shareholder (or Optionholder) to sell Securities on ASX will be a function of the turnover or liquidity of the Securities at the time of sale. Given the nature of the Company (and having regard to the fact that the Investment Portfolio may be less liquid than other listed investment entities), and the traditionally lower trading volumes experienced by LICs, if the Company is able to achieve only the Minimum Subscription, it is likely that there will be a low level of liquidity in trading of the Securities. As a result, Shareholders (and Optionholders) may not be able to sell their Securities at the time and in the volumes or at a price they desire; ■ the Investment Portfolio's underlying investments (and in particular Unlisted Microcaps) may not be easily converted to cash. In particular, the Investment Portfolio will have exposure to listed and unlisted securities. In general there is less protection of market participants and less government regulation and supervision of transactions in the unlisted securities markets. In addition, there may be little or no liquidity in unlisted securities. This could enhance the volatility of the price of the securities invested, may make it difficult to sell and realise the Company's investment in the securities and potentially result in the risk that the fair value of the investment is overstated by the Manager; ■ the Management Fee and Performance Fee may create an incentive for the Manager to overstate the value of unlisted investments and/or make investments that are riskier or more speculative than would be the case in the absence of a fee based solely on the performance of the Company; ■ a fall in global or local equity markets, global or local bond markets, market volatility or lack of movement in the value of the Australian dollar against other major currencies may materially affect both the performance of the securities in which the Company invests and the net tangible asset backing of the Shares; ■ the Manager may stop managing the Investment Portfolio meaning the Company may have to find a new investment manager; ■ the Securities and/or the Company's investments declining in value. Investors in the Company are exposed to this risk through both their holding in the Securities and through the Company's investments. In addition, the Shares may trade on ASX at a discount to the net asset value of the Investment Portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of the Investment Portfolio; ■ the Company is subject to a range of regulatory controls imposed by government and regulatory authorities. The relevant regulatory regimes are complex and subject to change. Accordingly, the Company is exposed to the risk of changes to the applicable laws and/or the interpretation of existing laws which may have a negative effect on the Company, its investments and/or returns to Shareholders and Optionholders; and ■ the past performance of investment portfolios managed by the Manager, and persons associated with the Manager, are not a guide to future performance of the Company. There are risks inherent in the investment strategy that the Manager will employ for the Company (which is not identical to the Existing Strategy – refer to Section 4.4 for further details). 	<p>Sections 1.1, 4.4 and 5</p>

<p>What are the risks of investing in the Shares and Options?</p>	<p>In addition to those key risks detailed above, there are further risks associated with the Company and an investment in the Securities, including in the following areas</p> <ul style="list-style-type: none"> ▪ loss of investment team of the Manager; ▪ potential conflicts of interest; ▪ currency risk; ▪ counterparty and credit risk; ▪ interest rate risk; ▪ no guarantee of dividends or return of capital; ▪ operational costs; ▪ change in accounting policies; ▪ size of Investment Portfolio; ▪ future capital requirements of the Company; ▪ general market risks; ▪ absence of operating performance history of the Company; ▪ industry risk; and ▪ changes in taxation laws of policies. <p>Investors should bear the above risks in mind, when considering whether to participate in the Offer.</p> <p>In addition, investors are strongly advised to regard any investment in the Company as a long term proposition (at least 7 years) and be aware that substantial fluctuations in the value of their investment may occur during that period. More detail about these and other risks associated with the Company can be found in Section 5.</p>	<p>Section 5</p>
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1.4 Key information on the experience and background of the Directors and the Manager

Topic	Summary	For more information
<p>Who are the Directors and what is their expertise?</p>	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> ▪ John Steven – Independent Non- executive Chairman ▪ Judith Smith – Independent Non-executive Director ▪ David Trude – Independent Non-executive Director ▪ Barry Fairley – Director ▪ Robert Brown – Director <p>See Section 6.1 for further details regarding the background of the Directors.</p>	<p>Section 6.1</p>
<p>What are the Directors to be paid?</p>	<p>Following their appointment, it is proposed (inclusive of superannuation) that the Independent Directors will receive the following amounts for the first year:</p> <ul style="list-style-type: none"> ▪ John Steven – \$60,000 ▪ Judith Smith – \$40,000 ▪ David Trude – \$40,000 <p>Barry Fairley is a Director of the Company and the Manager. He is remunerated by the Manager and will not receive Directors' fees or any other direct form of remuneration from the Company for his services.</p> <p>Barry Fairley holds 19.77% (directly and indirectly) of the fully diluted equity interests in the Manager as at the date of this Prospectus.</p> <p>Robert Brown is a Director of the Company and the Manager. He is remunerated by the Manager and will not receive Directors' fees or any other direct form of remuneration from the Company for his services.</p> <p>Robert Brown holds 0.88% (directly and indirectly) of the fully diluted equity interests in the Manager as at the date of this Prospectus.</p>	<p>Section 6.5</p>
<p>Who is the Manager and what is its track record?</p>	<p>The Manager, Acorn Capital Limited, is a specialist Microcap fund manager that was founded in 1998 and has a long track record of managing Microcap equities for institutional investors. The Manager has over \$1.1 billion in funds under management (as at 31 January 2014).</p>	<p>Section 4</p>

2. Details of Offer

2.1 What is the Offer?

The Company is offering Shares for issue (together with one Option to acquire one Share for every one Share issued), to raise up to \$100 million. The Options will be issued for nil consideration and are exercisable at \$1.00 each, on or before the date being 18 months from the date of issue of the Options (which is currently anticipated to occur on or about 22 April 2014).

The rights attaching to the Shares and Options are set out in Sections 11.4 and 11.3 respectively and the terms and conditions of the Options are set out in the Appendix.

The Offer is comprised of a:

- (a) Broker Firm Offer – open to persons who have received a firm allocation from their Broker and who have a registered address in Australia, New Zealand, Hong Kong, Singapore, Malaysia or Papua New Guinea. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. Investors should contact their Broker to determine whether they may be allocated Securities under the Broker Firm Offer.

Applicants under the Broker Firm Offer will be required to pay an Application Amount of \$1.00 per Share comprising for wholesale Applicants and retail Applicants who provide their consent to the payment of the Service Fee:

- the Subscription Amount of 98.35 cents per Share payable to the Company; and
- the Service Fee of 1.65 cents per Share (inclusive of GST) payable to their Broker (which will be collected by the Company on behalf of the Brokers).

Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to, and authorisation of, the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer). If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share). Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker (see Section 2.4 for more information); and

- (b) General Offer – open to investors who have a registered address in Australia or New Zealand.

Applicants under the General Offer will be required to pay an Application Amount of \$1.00 per Share comprising solely the Issue Price of \$1.00 per Share payable to the Company. No Service Fee is payable by Applicants under the General Offer.

Discretion under the Offer

The Company reserves the right not to proceed with the Offer at any time before the allotment of Securities under the Offer. If the Offer does not proceed, Application Monies received by the Company will be refunded in full (without interest). The Company takes no responsibility for Application Monies paid to the Joint Lead Managers or Brokers until these are received by the Company.

The Company reserves the right to decline any Applications in whole or in part without giving any reason. An Application may be accepted by the Company in respect of the full number of Shares and Options specified in the Application or any of them without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

The Company, also reserves the right to close the Offer early, to accept late Applications or extend the Offer without notifying any recipient of this Prospectus or any Applicant.

2.2 Minimum Subscription

The Minimum Subscription required for the Offer to proceed is \$50 million.

If the Minimum Subscription is not obtained within 4 months after the date of this Prospectus, the Company will repay all Application Monies in full without interest as soon as practicable or issue a supplementary or replacement prospectus and allow Applicants 1 month in which to withdraw their Applications and be repaid their Application Monies in full without interest.

2.3 Licensed Dealers

Offers under this Prospectus will be made pursuant to an arrangement between the Company and Baillieu Holst Ltd under Section 911A(2)(b) of the Corporations Act. The Company will only authorise Baillieu Holst Ltd to make offers to people to arrange for the issue of the Securities by the Company under the Prospectus and the Company will only issue the Securities in accordance with Applications made pursuant to such offers if they are accepted. The Company has entered into such an agreement with the Joint Lead Managers.

The Company has agreed to pay a management fee of 1% (in aggregate and exclusive of GST) of the gross proceeds received by the Company from the Offer to the Joint Lead Managers.

2.4 Service Fee

Both retail Applicants who provide consent to the payment of the Service Fee and institutional Applicants under the Broker Firm Offer will be required to pay an Application Amount of \$1.00 per Share comprising the Subscription Amount of 98.35 cents per Share, payable to the Company and a Service Fee of 1.65 cents per Share (inclusive of GST) payable to their Broker.

Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to

and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer).

If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share). Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless still pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

This Service Fee is a one-off fee payable to the Applicant's Broker in respect of the services provided by their Broker (and any specified adviser or individual Broker) in introducing the Applicant to the Offer, giving advice in respect of the Offer and dealing in respect of the Offer.

Applicants under the Broker Firm Offer will pay their Subscription Amount and Service Fee at the same time. The Company will collect the Service Fee on behalf of Brokers and hold the Service Fee together with the Subscription Amount in the Company's trust account for Application Monies in relation to the Offer until the Allotment Date.

The Service Fee component of the Application Amount will be moved on the Allotment Date to a service fee trust account.

It is a term of this Offer that, by completing and delivering their completed Application Form to the Company, Applicants under the Broker Firm Offer consent to and authorise both the transfer of their Service Fee on the Allotment Date from the Company's trust account for Application Monies in relation to the Offer to a service fee trust account and the subsequent on-payment of the Service Fee from that service fee trust account to their Broker.

The Service Fee does not apply to, and is not payable by, Applicants under the General Offer.

2.5 Is the Offer underwritten?

No, the Offer is not underwritten.

Baillieu Holst Ltd, Morgans Financial Limited, T.C. Corporate Pty Ltd and Bell Potter Securities Limited are acting as Joint Lead Managers to the Offer. The Company and the Joint Lead Managers have entered into an Offer Management Agreement with respect to the Offer, details of which are set out in Section 10.2.

2.6 How do I apply under the Offer?

Who is eligible to participate in the Offer?

Who can apply for Securities under the General Offer?

The General Offer (which does not include the Broker Firm Offer) is open to retail Applicants and institutional Applicants resident in Australia or New Zealand. The Company reserves the right in its absolute discretion to issue no Securities to Applicants under the General Offer. All Applicants under the General Offer must have an eligible residential address in Australia or New Zealand.

Who can apply under the Broker Firm Offer?

The Broker Firm Offer is open to retail Applicants resident in Australia or New Zealand and to institutional Applicants in Australia, New Zealand, Hong Kong, Singapore, Malaysia and Papua New Guinea, who have received a firm allocation from their Broker.

Completing and returning your Application under the retail Offer

What is the minimum and maximum application under the Offer?

Applications must be for a minimum of 2,000 Shares and a like number of Options. Applications in excess of the minimum number of Shares must be in multiples of 500 Shares and a like number of Options.

There is no maximum amount that may be applied for under the Offer. The Company, reserves the right to aggregate any Applications under the Offer which it believes may be multiple Applications from the same person.

The Company, reserves the right to reject any Application or to allocate a lesser number of Securities than that which is applied for.

How do I apply under the General Offer?

In order to apply for Securities under the General Offer, please complete the Application Form that forms part of, is attached to, or accompanies this Prospectus (or a printed copy of the Application Form attached to the electronic version of the Prospectus) or apply online at www.acifipo.com.au. Application Forms must be completed in accordance with the accompanying instructions.

Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

Once completed, please lodge your Application Form and Application Monies so that it is received at the address of the Company's Share Registry set out below by the Closing Date.

By mail to:
Computershare Investor Services Pty Limited
C/- Acorn Capital Investment Fund Limited
GPO Box 52
Melbourne, Victoria 3001, Australia

How do I apply under the Broker Firm Offer?

If you are applying for Securities under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received your firm allocation. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The allocation of Securities to Brokers will be determined by the Company in consultation with the Joint Lead Managers.

Securities that have been allocated to Brokers for allocation to their clients will be issued to the Applicants who have received a valid allocation of Securities from those Brokers.

It will be a matter for the Brokers how they allocate Securities among their clients, and they (and not the Company nor the Lead Managers) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant Securities.

Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer). If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share). Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless still pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

The Company, Registry and the Joint Lead Managers take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form and Application Monies (including, without limitation, failure to submit Application Forms by the close of the Broker Firm Offer).

Please contact your Broker if you have any questions.

How to complete and attach your cheque for the Application Monies

Application Monies may be provided by BPAY® (see below), cheque(s) or bank draft(s). Cheque(s) or bank draft(s) must be:

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed "Not Negotiable"; and made payable:

- for Applicants in the General Offer: to "Acorn Capital Investment Fund Limited - OFFER"; or
- for Applicants in the Broker Firm Offer: in accordance with the directions of the Broker from whom you received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover your cheque(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheques clear in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Monies will pay for (and to have specified that amount in your Application Form) or your Application maybe rejected.

Paying your Application Monies by BPAY®?

Australian investors may apply for Securities online and pay their Application Monies by BPAY®. Australian investors wishing to pay by BPAY® should complete the online Application Form accompanying the electronic version of this Prospectus which is available at www.acifipo.com.au and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (CRN)).

Any Applicants applying online must personally complete the online Application Form and pay the Application Monies. Application Forms completed online must not be completed by third parties, including authorised third parties (e.g. the Applicant's Broker).

You should be aware that you will only be able to make a payment via BPAY® if you are the holder of an account with an Australian financial institution which supports BPAY® transactions.

When completing your BPAY® payment, please make sure you use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN, your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEST) on the Closing Date. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY®, and policies with respect to processing BPAY® transactions may vary between banks, credit unions or building societies.

The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY® before the Closing Date arising as a result of, among other things, processing of payments by financial institutions.

Fees, costs and timing for applications

When does the Offer open?

The Offer is expected to open for Applications on 27 March 2014. However, this may be delayed if ASIC extends the Exposure Period for the Prospectus.

What is the deadline to submit an Application under the Offer?

It is your responsibility to ensure that your Application Form and Application Monies are received by the Share Registry before 5.00pm (AEST) on the Closing Date for the Offer which is 11 April 2014. Broker Firm Offer Applicants should return their applications in accordance with the deadline set out to them by their Broker.

The Company and the Share Registry take no responsibility in respect of an Application Form or Application Monies which are delivered to your Broker in connection with your Application until such time as your Application Form and Application Monies are received by the Share Registry.

Is there any brokerage, commission or stamp duty payable by Applicants?

No stamp duty is payable by Applicants on the acquisition of Securities under the Offer.

Both retail Applicants who provide consent to the payment of the Service Fee and institutional Applicants under the Broker Firm Offer will be required to pay the Service Fee of 1.65 cents per Share (inclusive of GST). Retail Applicants who receive a firm allocation by a Broker under the Broker Firm Offer will be requested to provide their consent to and authorisation of the payment of the Service Fee to their Broker (and acknowledge that their Broker may also seek consent to the on-payment of a percentage of the Service Fee to the specified adviser or individual Broker who provided advice or dealing services to them in respect of the Offer). If the retail Applicant does not provide such consent or authorisation when completing the Broker Application Form (either online or in hard copy form), no Service Fee is payable to the retail Applicant's Broker, but the Shares issued to the Applicant will be issued at \$1.00 (and not at 98.35 cents per Share). Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless still pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

The Service Fee is not payable by Applicants under the General Offer.

What are the costs of the Offer and who is paying them?

The costs of the Offer include the legal, accounting, advisory and other costs associated with the production of the offering documentation. At the time of production of this Prospectus the costs payable by the Company were estimated to be \$674,745 assuming the Minimum Subscription is achieved and \$1,069,956 assuming the maximum subscription of \$100 million is achieved. The Company is paying these costs from the proceeds of the Offer (see Section 7.5).

Confirmation of your application and trading on ASX

When will I receive confirmation whether my Application has been successful?

Applicants under the General Offer will be able to call Computershare Investor Services Pty Limited Information Line on 1300 457 839 (within Australia) or +613 9415 4233 (outside Australia), between 8.30am and 5.00pm AEST, from 23 April 2014 to confirm their allocation.

Holding statements confirming Applicant's allocations under the Offer are expected to be sent to successful Applicants on or around 23 April 2014.

Is DvP settlement available?

Delivery versus payment (DvP) settlement is available for Applicants under the Broker Firm Offer. Please contact your Broker for further details.

When will I receive my Securities and when can I trade my Securities?

Subject to ASX granting approval for the Company to be admitted to the Official List, the Company will issue the Securities to successful Applicants as soon as practicable after the Closing Date. Allotment is expected to occur on 22 April 2014.

Trading of the Securities on ASX is expected to commence on 30 April 2014 on a normal T + 3 settlement basis.

If you sell your Securities before receiving an initial holding statement, you do so at your own risk, even if you have obtained details of your holding from your Broker or the Company's Offer Information Line.

Who do I contact if I have further queries?

If you have queries about investing under the Offer, you should contact your stockbroker, financial adviser, accountant or other professional adviser.

If you have queries about how to apply under the Offer or would like additional copies of this Prospectus, please call the Registry on 1300 457 839 (within Australia) or +61 3 9415 4233 (outside Australia), between 8.30am and 5.00pm AEST.

2.7 Allocation policy

The basis of allocation of Securities under the Offer will be determined by the Company in consultation with the Joint Lead Managers, subject to any firm allocations under the Broker Firm Offer. Certain Applicants nominated by the Company may be given preference in the allotment of Securities.

It is currently anticipated that certain shareholders, directors and employees of the Manager will be permitted to participate in the Offer.

The Company reserves the right in its absolute discretion to not issue Securities to Applicants under the General Offer and may reject any Application or allocate a lesser number of Securities than those applied for at its absolute discretion.

2.8 Application Monies

All Application Monies will be held by the Company on trust in a separate account until the Securities are issued to successful Applicants.

Wholesale Applicants and retail Applicants under the Broker Firm Offer who provide their consent to the payment of the Service Fee will pay their Subscription Amount and Service Fee at the same time. The Company will collect the Service Fee on behalf of Brokers and hold the Service Fee together with the Subscription Amount in the Company's trust account for Application Monies in relation to the Offer until the Allotment Date.

The Service Fee component of the Application Amount will be moved on the Allotment Date to a service fee trust account and paid to the Broker (unless in the case of retail Applicants no consent is provided at the time of completing the Broker Firm Offer Application Form).

Application Monies and any associated Service Fee will be refunded in Australian dollars to the extent that an Application is rejected or scaled back, or the Offer is withdrawn. No interest will be paid on refunded amounts. The Company will retain any interest earned on all Application Monies.

2.9 ASX listing

The Company has applied to ASX for admission to the Official List and for its Securities to be granted official quotation by ASX. The Company is not currently seeking a listing of its Securities on any financial market other than ASX.

The fact that ASX may admit the Company to the Official List and grant official quotation of the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities offered for subscription under the Offer. ASX takes no responsibility for the contents of this Prospectus. Normal settlement trading in the Securities, if quotation is granted, will commence as soon as practicable after the issue of holding statements to successful Applicants.

It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive confirmation of their allotment will do so at their own risk.

If ASX does not grant permission for the Securities to be quoted within 3 months after the date of this Prospectus, the Securities will not be issued and all Application Monies will be refunded (without interest) as soon as practicable.

2.10 Tax implications of investing in the Company

The taxation consequences of any investment in the Securities will depend on your particular circumstances. It is your responsibility to make your own enquiries concerning the taxation consequences of an investment in the Company.

A summary of the Australian taxation implications of investing in the Company is set out in Section 9 and is based on current tax law and Australian Taxation Office rulings. A summary of the New Zealand taxation implications of investing in the Company is also set out in Section 9 and is based on current tax law in New Zealand. The information in Section 9 is not intended as a substitute for investors obtaining independent tax advice in relation to their personal circumstances.

2.11 Overseas distribution

No action has been taken to register or qualify the offer of Securities under this Prospectus, or to otherwise permit a public offering of Securities, in any jurisdiction outside Australia and New Zealand.

Offer only made where lawful to do so

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law. This Prospectus does not constitute an offer in any place in which, or to whom, it would not be lawful to make such an offer. Persons who come into possession of this document should inform themselves about and observe any restrictions on acquisition or distribution of the Prospectus. Any failure to comply with these restrictions may constitute a violation of securities laws.

United States residents

The Securities being offered pursuant to this Prospectus have not been registered under the US Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the US Securities Act and applicable state securities laws. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of these securities in any state or other jurisdiction in which such offer, solicitation or sale would be unlawful. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

Hong Kong residents

This Prospectus has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the Companies Ordinance), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO").

No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, Securities have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO).

No advertisement, invitation or document relating to Securities has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities that are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” (as defined in the SFO and any rules made under that ordinance). No person allotted Securities may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within 6 months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore residents

This document and any other materials relating to Securities have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Securities, may not be issued, circulated or distributed, nor may Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are an “institutional investor” (as defined in the SFA) or (b) a “relevant person” (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer made is made to you personally and is not made to you with a view to Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Securities. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Malaysia residents

This document and any other materials relating to Securities do not constitute an offer or an invitation to subscribe for or purchase securities to the general public of Malaysia. The prior approval of the Securities Commission has not been obtained for the offering, marketing or distribution of the Securities and neither this document nor the other materials have been or will be deposited or registered with the Securities Commission in Malaysia pursuant to the Capital Markets and Services Act 2007 (the “CMSA”) and any other relevant securities legislations and regulations.

Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Securities, may not be issued, circulated or distributed, nor may Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia except pursuant to and in accordance with exemptions in Schedule 5 of the CMSA, or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the CMSA.

This document has been given to you on the basis that you are an investor (falling within Schedule 5 and Schedule 6 of the CMSA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward, distribute or circulate this document nor any other document or material to any other person in Malaysia.

Any offer is not made to you with a view to Securities being subsequently offered for sale to any other party. There are on-sale restrictions in Malaysia that maybe applicable to investors who acquire Securities. As such, investors are advised to acquaint themselves with the CMSA provisions relating to resale restrictions in Malaysia and comply accordingly.

Papua New Guinea residents

This document is not a prospectus in Papua New Guinea and has not been lodged with the Papua New Guinea Registrar of Companies. The Securities cannot be offered for subscription or purchase to the public in Papua New Guinea, but an offer invitation to any person where the amount payable by that person is at least PGK500,000.00 will not constitute an offer of the Securities to the public.

Overseas ownership and resale representation

It is your responsibility to ensure compliance with all laws of any country relevant to your Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by you to the Company that there has been no breach of such laws and that all necessary consents and approvals have been obtained.

3. Company overview

3.1 Overview

The Company is a newly incorporated Australian public company that has not yet conducted any operations. The Company has been established to invest predominantly in a portfolio of listed and unlisted Microcap Companies.

The Company will provide investors with exposure to a portfolio of Listed Microcaps and Unlisted Microcaps (with an Australian Nexus). Based on the Manager's experience, this portfolio will exhibit a risk and return profile different to that of the ASX-250. The Manager believes that there are pricing inefficiencies in both Listed Microcaps and Unlisted Microcaps and that these inefficiencies can be exploited to earn superior returns to those available in the broader market by constructing a diversified portfolio on the basis of a research-driven investment process.

3.2 Investment Objective

The Company's primary objective is to achieve after-fee returns on the Investment Portfolio in the long term that are higher than the S&P/ASX Small Ordinaries Accumulation Index, through long-term capital growth by way of investment in a diversified portfolio of Microcap Companies.

Another objective is to optimise the trade-off between risk and return by constructing a portfolio that is diversified by economic sector as well as the number of stocks.

3.3 Investment Strategy

The Company's investment strategy is to create a diversified portfolio of Microcap Companies using a disciplined investment process implemented by experienced sector specialists. The Investment Portfolio will be diversified across all industry sectors in the Microcap universe and will initially be created from Listed Microcaps. As relatively more attractive opportunities in Unlisted Microcaps (with an Australian Nexus) are identified (after adjusting for elevated risks, such as liquidity), investments in Unlisted Microcaps (with an Australian Nexus) will be made in substitution for existing investments in Listed Microcaps.

When assessing unlisted investment opportunities, the Manager will undertake a relative valuation analysis of an Unlisted Microcap investment opportunity. For example, the Manager will compare that opportunity with what it considers to be the most comparable Listed Microcap (or peer set) which has similar characteristics to the proposed Unlisted Microcap investment opportunity. The Manager will also in its analysis examine the risks associated with the proposed Unlisted Microcap investment opportunity (such as reduced liquidity and control and transactional complexity). An assessment is made regarding whether the Unlisted Microcap investment opportunity represents a relatively more attractive opportunity than what is available amongst Listed Microcaps.

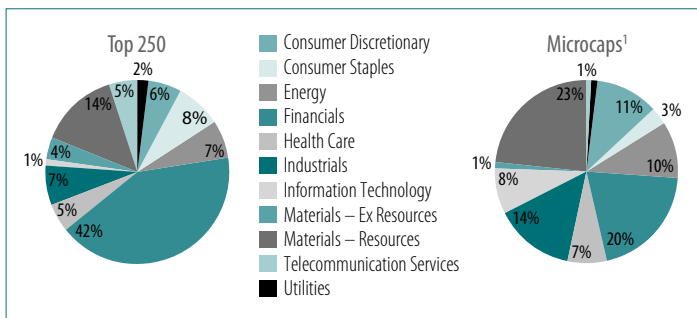
The Manager will also conduct frequent valuations of the Unlisted Microcaps contained in the Investment Portfolio. When conducting its valuations, the Manager will have specific regard to the valuations of the directly comparable Listed Microcaps or peer set. Similarly, prior to a liquidity event of any such investment (for example upon a trade sale or initial public offering of shares in the Unlisted Microcap), the Manager will determine whether a proposed transaction results in a consistent valuation with similar listed companies and other relevant and observable transactions. In assessing liquidity events, the Manager will consider whether a liquidity and control premium has been appropriately factored into the proposed value of that liquidity event.

3.4 Microcap Sector Background

Microcap Companies are defined by the Manager as those entities which have an equity valuation less than the 250th largest, by full market capitalisation (and not free-float adjusted), ASX-listed entity (such entity and the 249 that are larger than it being the ASX-250). As at 31 January 2014, the market capitalisation of the 250th largest company on ASX was \$445 million. Microcap Companies can further be divided between Listed Microcaps, being those Microcap Companies that are ASX-listed as well as Unlisted Microcaps, which are either entities that are not ASX listed, or non-ASX listed instruments of Listed Microcaps. Unless approved otherwise by the Board, Unlisted Microcaps, to be eligible for investment by the Manager, must possess an Australian Nexus. An investment in an entity with an Australian Nexus includes an investment where the entity is a non-Australian incorporated entity (which is not listed on ASX), but which the Manager considers has a close connection to Australia (for example where the main assets of the entity are located in Australia, the key management of the entity resides in Australia or the entity has indicated to the Manager its intention to list on the Official List within 3 to 5 years).

As at 31 January 2014, there were 1,906 ASX-listed companies and there are more than 2 million unlisted companies in Australia. A Commonwealth Treasury report from 2007 estimated, that at that time there were more than 13,000 non-controlled large proprietary or unlisted public companies in Australia, a figure that the Manager estimates has grown to around 16,000 as at the date of this Prospectus. These figures suggest that the universe of Microcap Companies is relatively large. The Manager believes that these companies offer more diverse investment opportunities than the investment opportunities presented by the larger capitalised companies listed on ASX alone.

Listed Microcaps are compositionally different from those companies listed in the larger capitalised ASX-250 in that more than 50% (by number) of Listed Microcaps are what the Manager regards as developing companies, defined by the Manager as those with revenues equal to 10% (or less) than their market capitalisation. When compared with the constituents of the ASX-250 a much smaller proportion of Microcap Companies are classified as 'Financials', while a greater proportion are classified as 'Resources' and 'Energy' companies, as illustrated by the charts below.



1. The sector compositions set out in this chart reflect (as at 31 January 2014) the SIRCA Microcap Accumulation Index, an index compiled by the Securities Industry Research Centre of Asia-Pacific and is a benchmark comprising of ASX listed Microcap Companies that have met certain liquidity tests and excluding listed investment companies and exchange traded funds.

In the opinion of the Manager, many Microcap Companies are growth orientated and have recently been overlooked by investors in favour of investments with high income or dividend characteristics.

As a corollary to their growth orientation, many Microcap Companies, in the Manager's experience, require significant equity capital, as debt capital can be more difficult for such entities to obtain. The Manager, on behalf of its clients, has made primary issuance investments of approximately \$1.2 billion in Listed Microcaps since September 2000 and \$96.1 million in Unlisted Microcaps since February 2009. The Manager's experience has been that buoyant primary markets for Listed Microcaps result in an increased availability of investable opportunities. The increased level of placement and initial public offering issuances in the December 2013 quarter came after an extended period of reduced primary issuances by Listed Microcaps.

Microcap Companies have historically been an incubator for the future constituents of the ASX-250. Of the ASX-250's current constituents (as at 31 December 2013), 40 were Listed Microcaps in 2004 and 34 were Unlisted Microcaps that have listed on the ASX since 2004.

3.5 Investment Guidelines

The following investment guidelines apply to the Manager's implementation of the Company's investment strategy:

- the Manager will develop and manage a portfolio of investments in Microcap Companies.
- following the initial construction phase of approximately 3 months, the Investment Portfolio is expected to contain between 60 and 80 investments.
- the Sector Benchmark will be used as a guide to construct the Investment Portfolio, although exposures to a particular sector may vary from the Sector Benchmark by up to 7.5% of the dollar value of the Investment Portfolio at any time.
- the Manager will endeavour to ensure that the Company is as close to fully invested as practicable. However, as determined by the Manager, the Company may from time to time hold cash to a level considered appropriate.
- exposure to a single Listed Microcap or Unlisted Microcap will not exceed 7.5% of the Investment Portfolio at the time of investment.

- exposure to Unlisted Microcaps is expected to range from 0% during the initial construction phase up to approximately half of the Portfolio Market Value of the Investment Portfolio, but will fluctuate as liquidity events (being the point at which the Unlisted Microcap securities have been exchanged for cash or are listed on ASX) occur amongst Unlisted Microcaps.
- the Board has adopted a policy in relation to the timing of disposals of listed holdings that enter and remain in the ASX-225. The Manager will carry out this policy or dispose of such listed holdings otherwise as directed by the Board.
- the Company will invest only in equity or equity-linked (e.g. convertible debt, debt with attaching warrants/options and the like) securities. The Company will invest only in Microcap Companies that are Australian incorporated, ASX-listed or those that the Manager determines have an Australian Nexus. An investment in an entity with an Australian Nexus includes an investment where the entity is a non-Australian incorporated entity (which is not listed on ASX), but which the Manager considers has a close connection to Australia (for example where the main assets of the entity are located in Australia, the key management of the entity resides in Australia or the entity of ASX has indicated to the Manager its intention to list on the official list within 3 to 5 years).

3.6 Permitted Investments

The Manager is permitted under the Management Agreement to undertake investments on behalf of the Company without the prior approval of the Board. However, if the proposed investment is not in accordance with the investment objectives, strategy and guidelines outlined in this Section 3, Board approval for the investment is required. The Manager will also seek the prior approval of the Board before investing in those Unlisted Microcaps in which the Existing Strategy has previously invested.

There will be no permitted leverage (apart from partly paid securities or securities payable in instalments), or short selling in the Investment Portfolio.

The assets of the Company will be held by a third party custodian or in accordance with the usual market practice in the relevant jurisdiction. The Company has appointed National Australia Bank Limited, as its Custodian.

3.7 Investment Portfolio valuation

The Manager will arrange for the calculation of the Investment Portfolio's value at least monthly and provide such calculations to the Board of the Company as soon as practicable after such calculations are made. All costs incurred by the Manager in arranging these calculations are payable by the Company under the Management Agreement. Listed asset values will be the last bid price. IRESS, Bloomberg, FactSet or other similar financial information service shall be used as the price source for listed securities. Foreign exchange cross rates (for foreign investments with an Australian Nexus) will be obtained from IRESS, Bloomberg, FactSet or other similar financial information service.

Unlisted investments are re-valued on a monthly basis using methods that in the opinion of the Manager best approximate their fair value. Semi-annually the valuation methods are formally reviewed by the Manager. Semi-annual valuation recommendations are provided to the Board of Directors of the Company for review as a part of the half year and full year audit. The Board retains the right to require any valuation of an unlisted investment to be independently reviewed.

3.8 Changes to investment strategy

The investment objectives, strategies, guidelines and permitted investments outlined in this Section 3 are expected to be implemented by the Manager upon the listing of the Company on ASX. It is not expected that the Company will change any of these investment objectives, strategies, guidelines and permitted investments. If there are changes, these changes will only be made with the approval of the Board, after consultation with the Manager. The Company will notify Shareholders via its website and ASX of any material changes to the Company's investment objectives, strategies, guidelines and permitted investments.

If the Company's Investment Portfolio ceases to comply with the investment objectives, strategies, guidelines or permitted investments outlined in this Section, the Manager must use its best reasonable endeavours to remedy the non-compliance within a reasonable period of time of the Manager becoming aware of the non-compliance or longer period permitted by the Company.

3.9 Dividend Policy

The Company currently intends to pay semi-annual dividends to Shareholders. However, as the objective of the Company is long term capital growth, it is likely that dividends may be low (or nil) during initial investment years and there may be periods in respect of which dividends are not paid at all. The amount of any dividend will be at the complete discretion of the Board and will depend on a number of factors, including expectations of future earnings, capital requirements, financial conditions, future prospects, laws relating to dividends and other factors that the Board deem relevant. It is the current policy of the Board that all dividends paid to Shareholders will be franked to 100% (or to the maximum extent possible). However, no assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Please note that the proposal set out above may be affected by various factors outside the control of the Company and are subject to the risks set out in Section 5.

3.10 Status as a Listed Investment Company

On the basis of the current investment strategy, it is anticipated that the Company will generally be considered to hold its investments

on revenue account. Consequently, it is likely that the Company will generally not make capital gains and therefore shareholders will not be able to obtain taxation benefits under the LIC regime.

For this reason, it is recommended that investors do not make a decision to apply for Securities under this Prospectus solely on the basis of potential taxation benefits that may result from the Company being treated as a LIC.

However, the Company may hold certain investments on capital account and therefore may be able to pass through LIC taxation benefits to Shareholders that qualify for these concessions. Whether an investment is held on capital or revenue account will need to be assessed on a case by case basis.

Broadly, as the Company will be a listed Australian resident company, it will qualify as a LIC if at least 90% of the market value of the Company's assets consist of certain permitted investments as defined in the Income Tax Assessment Act 1997 (Cth).

Permitted investments can include shares, options, units and assets that generate passive income such as interest, rent and royalties. However, investments in other entities will generally only be permitted investments if they represent an interest of 10% or less.

Where the Company qualifies as a LIC, certain types of Shareholders may qualify for income tax concessions when they receive a dividend. Specifically, this concession is available where the Company has made a capital gain on the disposal of a permitted investment that it has held for over 12 months (LIC Capital Gain).

Where a component of a dividend is attributable to a LIC Capital Gain, Australian resident Shareholders that are:

- individuals, partnerships or trusts will be allowed a deduction equal to 50% of that component; or
- life insurance companies (where the dividend is in respect of Shares that are complying superannuation/FHSA assets) and complying superannuation funds will be allowed a deduction equal to 33¹/₃% of that component.

The ability of a beneficiary of a trust or a partner in a partnership to obtain the concession will depend on the nature of that particular beneficiary or partner.

3.11 Reports to Shareholders

Within 14 days after the end of each month, the Company will release on ASX a statement of the net tangible asset backing of its Shares as at the end of that month. The calculation of the net tangible asset backing of Shares will be made in accordance with the Listing Rules.

The Company will provide to security holders on request, free of charge, a copy of statements released to ASX of the net tangible asset backing of Shares from time to time.

4. Manager overview

4.1 Business of Manager

The Company's investment strategy will be implemented by the Manager, which holds Australian Financial Services Licence 227605.

The Manager is a specialist microcap fund manager that was founded in 1998 and is located in Melbourne, Australia. The Manager is majority owned by its employees and directors and their related parties (as to 55%, fully diluted) and by subsidiaries of Australian Unity Limited (as to 44% fully diluted) who has been a shareholder of the Manager since shortly after its formation. The Manager has a long-term track record of managing microcap equities for institutional investors. The Manager has approximately \$1.1 billion in funds under management (as at 31 January 2014).

The Manager currently operates three separate investment strategies:

- investments in Listed Microcaps;
- investments in smaller capitalised Asian-listed equities; and
- an investment style substantially the same as that proposed for the Company – i.e. investing in both Listed Microcaps and Unlisted Microcaps. This strategy has been in operation since 2009 on behalf of two institutional clients and has gross assets (as at 31 January 2014) of \$188.2 million. One of these mandates, with gross assets as at 31 January 2014 of \$161.9 million most closely resembles the investment strategy proposed for the Company and is known as the Existing Strategy.

The Manager's allocation objective is to ensure that individual investment opportunities (and subsequent divestments from such opportunities) are allocated amongst clients with a similar investment mandate on a pro rata basis that reflects the funds under management of each individual client relative to the total funds under management of all clients with the same investment mandate.

4.2 Attractions of the Manager

The Manager believes that Shareholders of the Company stand to benefit by:

Exposure to the respected and experienced Acorn Capital investment team

Acorn Capital is a specialist manager of Microcap Companies. It is one of the pioneers among specialised institutional fund managers in Australia to invest in this sector and has a long term track record.

Established, successful investment strategy

The Existing Strategy has outperformed the All Ordinaries Accumulation Index and S&P/ASX Small Ordinaries Accumulation Index since its inception in 2009. The Manager has invested in Listed Microcaps since September 2000 and since inception has outperformed both the All Ordinaries Accumulation Index and the S&P/ASX Small Ordinaries Accumulation Index. The Manager was established in 1998 and despite this longevity, continues to develop and evolve its approach to portfolio management. The Manager's investment team implements its strategy and its members have

an average of 24 years of relevant experience. Strong corporate governance provides support and oversight of the investment team, through the Manager's experienced Board, as well as internal compliance and legal functions.

Investment Process

The Manager's investment process is research-driven and focuses on bottom-up stock selection in a structured, methodical and thorough manner.

Asset Allocation

The investment strategy does not follow the traditional asset allocation delineation between public and private markets. Rather, investors are provided with exposure to a diversified portfolio of listed and unlisted opportunities. The Manager believes that its investment approach to Unlisted Microcaps is distinguished from other ASX-listed LICs and provides investors with exposure to both listed and unlisted entities through a single investment vehicle which is an efficient way to access this sector.

Fee Structure

The fee structure provides the Manager with incentive to maximise shareholder returns and is, in the opinion of the Manager, attractive when compared to other externally-managed LICs which focus on smaller capitalised equities and private investment funds.

Unlisted Opportunities

The Company's investment strategy can potentially widen a shareholder's investable universe by providing access to invest in Unlisted Microcaps (with an Australian Nexus). In this way, Shareholders can potentially receive the benefits of investing in what the Manager regards as the most attractive Microcap investment opportunities available at that time while gaining access to an investment class, Unlisted Microcaps (with an Australian Nexus), which may be otherwise considered difficult to access.

Investment Team

Members of the Manager's investment team are experienced at structuring investment instruments with a view to maximising investor returns. Whilst investors typically purchase ordinary equity in listed companies, investments in private companies allow the investor to design and structure an instrument that is best suited to the conditions.

Conflicts Policy

The Manager has in place a comprehensive conflicts policy which accords with its various obligations and duties as the holder of an Australian Financial Services Licence.

4.3 Investment Philosophy and Process

The Manager's investment philosophy is based on the following beliefs:

- continual research on investee (and potential investee) companies is the key to investment performance;
- asset prices generally reflect the available information at any point in time;
- it is difficult to consistently add value through market timing; and
- diversification is essential to reduce risks.

The Manager aims to exploit inefficiencies in the pricing of Microcap Companies. These inefficiencies typically result from information gaps due to what the Manager considers to be a lack of research amongst Microcap Companies in general and Unlisted Microcaps in particular. The Manager seeks to identify opportunities for long term capital growth through research which includes sector analysis and investee company interaction.

The philosophy of exploiting information asymmetries is reflected in the stance taken to stock selection. The investment team continuously searches for investment opportunities that represent the best relative value within each industry sector. The stock selection process recognises that qualitative factors can have a higher weighting in the assessment of smaller companies.

Unlisted Microcap opportunities must, in the opinion of the Manager, be better relative value on a risk-adjusted basis to displace existing listed portfolio investments in the corresponding sector. The Manager proposes a 3 to 5 year investment horizon for both Listed Microcap and Unlisted Microcap investments.

The Manager believes that a properly constructed portfolio is an important tool in managing risk in the Microcap sector. The portfolio should be diversified by both industry and number of stocks to manage sector and stock specific risk.

The Manager's philosophies and beliefs are reflected in Section 3.5 which are the investment guidelines proposed for the Company. These investment guidelines of the Company are consistent with those that have been adopted under the Existing Strategy.

4.4 Historical Performance of the Manager's separate fund deployed under the Existing Strategy

The Manager has operated the Existing Strategy (which is substantially similar to the proposed investment strategy of the Company) since February 2009.

The institutional client for whom the Existing Strategy is conducted invested \$90 million over approximately 7 months from February 2009. As at 31 January 2014, the value of this portfolio was \$161.9 million and this amount consists of the original investment, realised distributions and capital gains of approximately \$52 million, which were paid out each year (the Existing Strategy is a trust structure under which distributions and capital gains are paid out annually) and reinvested by the client, with the balance consisting of unrealised capital gains as at 31 January 2014.

The tables below illustrate the historical performance returns of this strategy as at 31 January 2014. These returns demonstrate the Manager's track record in deploying its investment philosophy and process.

The information on past performance of the Existing Strategy included in this Section 4.4 should not be relied upon as an indication of future performance of the Company.

The investment strategy of the Company, which is set out in Section 3.5 ("Investment Guidelines") is substantially the same as the investment strategy utilised by the Existing Strategy. There are, however, some differences that should be noted. Structurally, investors in the Existing Strategy subscribe for units in an unlisted unit trust rather than shares in an Australian public company (as is the case for the Company) and therefore have rights of withdrawal not available to investors in the Company. Investors in the Company will be able to exit their investment through the sale of their Shares on ASX. In addition, the Company's investment strategy will allow for more flexibility in cash holdings and benchmark weightings than the Existing Strategy.

With substantially similar investment strategies, the Company and the institutional clients of the Manager who invest in Listed and Unlisted Microcaps will generally invest in the same opportunities relative to their sizes although there may be differences due to any holdings of Unlisted Microcaps in existing portfolios. There may also be differences in portfolio positioning between the Company and its institutional clients from time to time.

The performance returns of the Existing Strategy are gross of the fees and taxes applicable to it. The total return is the cumulative income and capital return for the period from the inception of the Existing Strategy and its benchmarks to 31 January 2014.

The performance return achieved by the Existing Strategy's portfolio as at 31 January 2014, as set out in this Section 4.4, is the historical performance of the Existing Strategy only and does not relate to the future performance of the Company's proposed investment portfolio. Total performance returns of the Existing Strategy is based on a combination of observable market values for Listed Microcaps and the valuation determined by the Manager for Unlisted Microcaps. Accordingly, any comparison of the performance of the Existing Strategy to the S&P/ASX Small Ordinaries Accumulation Index and the All Ordinaries Accumulation Index needs to be considered by investors in that context. **The information on past performance of the Existing Strategy included in this Section 4.4 should not be relied upon as an indication of future performance of the Company.**

While the Company's proposed investment mandate is based on the Existing Strategy's investment mandate, the actual return of the Company could differ materially from the returns of the existing portfolio that uses the Existing Strategy.

The tables below set out the annual return on a pre-fee and pre tax basis, for each financial year and for various periods, gross of fees and taxes respectively, of the Existing Strategy's portfolio since its inception date together with comparisons against that portfolio's benchmark.

The returns shown for the 2014 Financial Year represent the return from 30 June 2013 to 31 January 2014. **The information on past performance of the Existing Strategy included in this Section 4.4 should not be relied upon as an indication of future performance of the Company.**

Table 1. Historical Performance based of Existing Strategy (Pre-fees and taxes) and relevant benchmarks for various Financial Years

Item	FY14 to 31 Jan 14	FY13	FY12	FY11	FY10	FY09 ¹
Existing Strategy	24.81%	-8.21%	-13.78%	26.74%	31.21%	83.19%
SIRCA Microcap Accumulation Index ²	21.87%	-13.35%	-15.64%	25.18%	22.35%	38.85%
S&P/ASX Small Ordinaries Accumulation Index	11.55%	-5.32%	-14.61%	16.41%	11.18%	32.28%
All Ordinaries Accumulation Index	11.40%	20.67%	-7.04%	12.17%	13.78%	18.32%

1: FY09 calculation from inception date of 18 February 2009 to 30 June 2009.

2: An index compiled by the Securities Industry Research Centre of Asia-Pacific and is a benchmark comprising of ASX listed Microcap Companies that have met certain liquidity tests and excluding listed investment companies and exchange traded funds.

Table 2. Historical Performance of Existing Strategy (Pre-fees and taxes) and relevant benchmarks to 31 January 2014

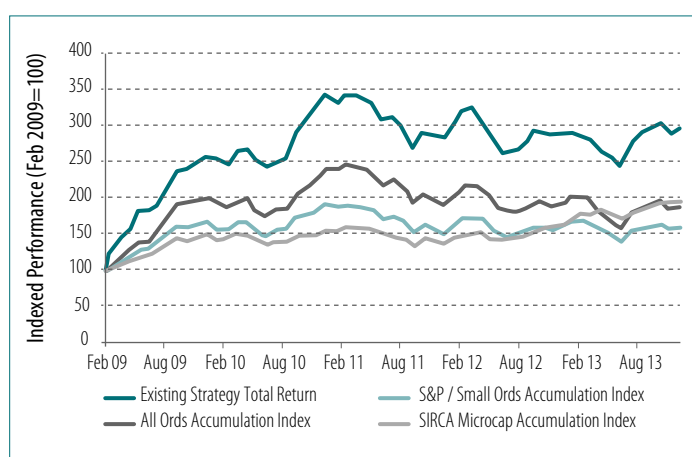
Item	1 year return	2 year return p.a.	3 year return p.a.	Since Inception p.a.	Total Return Since Inception
Existing Strategy	3.92%	0.59%	-3.14%	24.91%	200.93%
SIRCA Microcap Accumulation Index ²	-5.68%	-2.46%	-7.26%	14.05%	91.83%
S&P/ASX Small Ordinaries Accumulation Index	-7.38%	-2.30%	-6.17%	9.16%	54.40%
All Ordinaries Accumulation Index	10.72%	14.63%	6.96%	13.67%	88.69%

1: An index compiled by the Securities Industry Research Centre of Asia-Pacific and is a benchmark comprising of ASX listed Microcap Companies that have met certain liquidity tests and excluding listed investment companies and exchange traded funds.

The Existing Strategy figures contained in the tables above are calculated on a 'pre-fees' and 'pre-taxes' basis. The actual performance of the Company's Investment Portfolio will depend upon the success of the investment strategy adopted by the Manager and any fees payable to the Manager (refer to Section 10 for more details on the fees payable to the Manager). **The information on past performance of the Existing Strategy included in this Section 4.4 should not be relied upon as an indication of future performance of the Company.**

The actual return of an investment in the Company will depend upon its value and any dividends payable and could differ materially from the historical returns of the Existing Strategy. In addition, it should be noted that the market price of Securities traded on ASX may not reflect the fair value of the Investment Portfolio as calculated by the Manager and the Company.

Existing Strategy Performance (Total Return)



4.5 The investment team

The Manager proposes that the Company's Investment Portfolio will be primarily managed on the Manager's behalf by the Manager's investment team. Brief details of the investment team, their background and areas of responsibility are set out below.

The time dedicated by each member of the Manager's investment team to the Company's Investment Portfolio will vary from time to time depending on factors such as the mix of investments in the Portfolio at the applicable time and market conditions.

The investment team members set out below have all had direct involvement in the execution of the Existing Strategy and the Company will be able to draw upon and benefit from this depth and breadth of experience in the construction and maintenance of the Investment Portfolio. Each of the investment team members set out below is an expert in a particular industry sector, or possesses specific product skills (e.g. listed market dealing, transaction structuring, quantitative analysis and legal). With experience across a broad range of industry sectors, as well as in the transactional requirements for undertaking listed and unlisted microcap investments, the Manager believes that it is well placed to manage the Company's Investment Portfolio.

While the Management Agreement does not require the investment team to devote any specific amount of time to the Investment Portfolio, each member of the investment team will be available to devote the amount of time required for the Manager to properly perform its functions in managing the Investment Portfolio in accordance with the Management Agreement.

Barry Fairley

Barry Fairley is the Manager's Managing Director. In this capacity he is responsible for the strategic direction and management of the Manager. Barry founded the Manager in 1998 and has more than 40 years of investment experience.

Prior to forming the Manager, Barry was the Managing Director at Triako Resources. During his 15 years at Triako Resources, Barry was responsible for the company's strategic direction and management, including the acquisition and financing of major projects. Barry also served as a Partner/Director at McIntosh Securities. Barry began his career at Colonial Mutual Life where he was a Financial Analyst.

Barry holds a Diploma in Mining Engineering and is a Senior Associate of the Financial Services Institute of Australasia.

Robert Routley

Robert Routley is Head of Private Markets, and has product management responsibilities for the Existing Strategy's portfolio within the Manager. He is responsible for the identification, investment and ongoing portfolio management of unlisted investments within the microcap sector of the Australian economy. Robert has over 15 years of investment experience.

Robert joined the Manager in 2007 and has been responsible for the establishment and implementation of the Existing Strategy. Prior

to joining the Manager, Robert held investment management roles with Colonial First State Private Equity and Baron Corporation.

Robert holds a Bachelor of Commerce and a MBA. He is also a Chartered Accountant.

Matthew Sheehan

Matthew Sheehan is an Investment Director with the Manager, responsible for the origination, assessment and ongoing management of unlisted investments, with a particular focus on the structuring and documentation of unlisted investments. He is also the Legal Counsel and Company Secretary of the Manager.

Matthew began his career as a private practice lawyer and worked at firms in Melbourne, New York and London. Prior to joining the Manager in April 2009, Matthew worked at Macquarie Group as the General Counsel and Company Secretary of Macquarie Communications Infrastructure Group and Macquarie Specialist Asset Management.

Matthew holds a Bachelor of Economics (Honours), Bachelor of Laws (Honours) and Masters of Applied Finance.

Paul Palumbo

Paul Palumbo is a Portfolio Manager and Dealer. His responsibilities include managing relations with market counterparties, transacting on clients' behalf and portfolio data analysis. He also has oversight of the dealing function for the Asia small cap team.

Paul joined the Manager in February 2007. Prior to joining the Manager, Paul was a Business Analyst at Mercer where he worked with key stakeholders in each of the business groups on a range of business wide initiatives and managed all the analysis and reporting responsibilities of the client development group. Paul began his career at PwC and IBM Business Consulting.

Paul holds a Bachelor of Business Information Systems and a Graduate Diploma in Applied Finance and Investment.

David Ransom

David Ransom is a Portfolio Manager/Analyst. His responsibilities include developing screening criteria for the Energy and Materials – Resources sectors, undertaking fundamental investment research on companies within those sectors and selecting stocks for inclusion in client portfolios.

David has a long and extensive background in geology and consulting. He joined the Manager in 2000 after more than 30 years as a Geological Consultant to a number of Australian and international mining clients. He has had extensive experience in Australia, Middle East, South East Asia, Oceania, west and central Africa as well as Madagascar.

David holds a Bachelor of Science (Honours) and a PhD in Structural Geology. He is also a Fellow of the Australian Institute of Geoscientists.

Kylie Molinaro

Kylie is a Portfolio Manager/Analyst. Her responsibilities include developing screening criteria for the Consumer Discretionary, Consumer Staples and Healthcare & Biotechnology sectors, undertaking fundamental investment research on companies within those sectors and selecting stocks for inclusion in client portfolios. She also manages the Health Care sector for the Acorn Asia Small Cap team.

Kylie joined the Manager in 2004. She began her career in the pharmacy profession in 1996, working in both the public and private sector. Kylie has held both management and clinical pharmacist roles with experience in paediatric, general surgery, cardiac and endocrinology pharmacy as well as sterile manufacture, bulk manufacture and clinical trials.

Kylie holds a Bachelor of Pharmacy and a Bachelor of Commerce (Honours).

Cameron Petricevic

Cameron is a Portfolio Manager/Analyst. His role is developing screening criteria for the Industrials, Information Technology and Materials – ex Resources sectors, undertaking fundamental investment research on companies within those sectors and selecting stocks for inclusion in client portfolios.

Cameron joined the Manager in May 2011 after 8 years at AXA Asia Pacific where he was responsible for the management of the hedging operations of its capital guaranteed product and risk management.

Cameron holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce. He is also an Associate of the Institute of Actuaries (Actuary).

Tony Pearce

Tony Pearce is a Research Analyst in the Private Markets team. His responsibilities are primary analysis of Unlisted Microcap investment proposals and data analysis.

Tony has more than 45 years of investment experience. Prior to joining the Manager in October 2009, Tony spent 6 years with Legg Mason Asset Management, Citigroup Asset Management, JP Morgan Asset Management, Salomon Smith Barney Asset Management, AUC and Colonial where he was responsible for investment analysis and portfolio management.

Tony is a Chartered Financial Analyst, a CPA, a F. Fin. and holds a Diploma in Business Studies.

Xing Zhang

Xing Zhang is an Investment Executive in the Private Markets team. She is focused on the execution, monitoring and administration of Unlisted Microcap investments.

She began her career at Macquarie Capital in 2006 in the Corporate Finance team and worked on a range of equity capital market and Infrastructure focused transactions. In February 2010, she joined Viridis Clean Energy Capital, where she was responsible for supporting the CFO covering finance and strategy roles.

Xing holds a Bachelor of Engineering (Honours) and a Bachelor of Commerce. She also holds a Graduate Certificate in Entrepreneurship & Innovation.

5. Risks

5.1 Introduction

Investing in the Securities involves a high degree of risk. You should carefully consider the risks involved in acquiring the Securities, including those risks described below and all of the other information set out in this Prospectus before deciding to invest in the Securities. If any of the events or developments described below occurs, the Company's business, financial condition or results of operations could be negatively affected. In that case, the market price of the Securities could decline, and you could lose all or part of your investment. You should note that on quotation of the Shares on the Official List, the market price may differ significantly to the Issue Price paid for the Shares and/or may not reflect the fair value of the Investment Portfolio calculated by the Manager and the Company.

This Section 5, which is not exhaustive of all risks, identifies the risks that the Directors regard as the major risks associated with an investment in the Company. You should read the whole of this Prospectus (with particular emphasis on this Section) in order to fully appreciate the risks of an investment in the Securities and the manner in which the Company intends to operate (in an effort to minimise the impact of those risks) before any decision is made to subscribe for the Securities.

While prudent management and investment techniques may be effective in reducing the risks to Shareholders (and holders of Options), no assurances can be given by the Company as to the future success of the Company's investment strategies, any particular investment decisions or, importantly, the investment returns or the market price at which the Securities may trade on ASX. To that extent, investment in the Company ought to be regarded as speculative and, as with any equity investment, substantial fluctuations in the value of that investment may and often do occur.

If you are considering an investment in the Company, you are also strongly advised to consider whether the Securities are a suitable investment having regard to your personal investment objectives and financial circumstances (and the risk factors set out in this Section 5). If you are in any doubt about the suitability of an investment in the Company, you should consult with your financial adviser, stockbroker, solicitor, accountant or other professional adviser before deciding whether to apply for the Securities.

5.2 General and investment strategy risks

The operating results and profitability of the Company are sensitive to a number of factors including those set out below.

The Company should not be seen as a predictable, low risk investment. The Company's investments will be in a diversified portfolio of Listed Microcaps and Unlisted Microcaps and these can be considered as having a higher risk profile than cash, fixed interest or larger capitalised equities. The Company, Manager and Joint Lead Managers do not guarantee the return of capital, any rate of return in terms of income or capital or the investment performance of the Company.

It is not possible to identify every risk associated with investing in the Company. However, the following list sets out significant risks associated with investing in the Company. There may be other risks associated with investing in the Company. The risks set out in the following table, as well as others described elsewhere in this Prospectus, should be carefully considered in evaluating the Company and its prospects.

Type of risk	Description of risk
Sector risk	<p>Microcap Companies are likely to be at an early stage of development and therefore possess limited financial profiles. For example, many mining sector companies are explorers and many in the technology and bioscience sectors are in development stage. At such a stage in a company's lifecycle, it is unlikely to be revenue producing and may not have access to capital on acceptable terms (as financial institutions, including banks, may not be prepared to lend to Microcap Companies) and may not meet the going concern tests under accounting standards. Consequently, early stage Microcap Companies in the Investment Portfolio will be reliant on the Company and other investors for access to capital.</p> <p>Early stage Microcap Companies also tend to have only a small number of employees and therefore may not operate under the same corporate governance framework of larger organisations. There is a risk that issues that arise may not be able to be sufficiently dealt with by employees of sufficient expertise within these organisations thereby creating a risk that is less likely to exist in larger organisations with greater internal human resources capabilities.</p>
Liquidity risk	<p>There is a risk that the Investment Portfolio's underlying investments (and in particular Unlisted Microcaps) may not be easily converted to cash. This can result in a loss if the holder of the security needs to sell within a particular timeframe.</p> <p>The Company will be a LIC. The ability of a Shareholder (or Optionholder) to sell Securities on ASX will be a function of the turnover or liquidity of the Securities at the time of sale. Turnover is a function of a wide variety of factors including the size of a company and the cumulative investment intention of all current and possible investors in the Company at any one point in time.</p> <p>Given the nature of the Company, and the traditionally lower trading volumes experienced by LICs, if the Company is able to achieve only the Minimum Subscription, it is likely that there will be a low level of liquidity in trading of the Securities. As a result, Shareholders (and Optionholders) may not be able to sell their Securities at the time and in the volumes or at a price they desire.</p>
Unlisted securities risk	<p>The Investment Portfolio will have exposure to unlisted securities. In general there is less government regulation and supervision of transactions in the unlisted securities markets than of transactions entered into on organised exchanges. In addition many of the protections afforded to participants on some organised exchanges may not be available in connection with unlisted securities.</p> <p>Therefore, any investment by the Company in unlisted securities will be subject to the risk that its direct counterparty will not perform its obligations under the transactions and that the Investment Portfolio will sustain losses.</p> <p>In addition, there may be little or no liquidity in unlisted securities (potentially compounded by the Company having only a minority position with little control over the nature or timing of an exit event) and it may be difficult to establish a robust market price for them. Many unlisted securities are relatively illiquid or have low trading volume. This could enhance the volatility of the price of the securities and/or make it difficult to sell the securities at a later date. The valuation of unlisted securities is more difficult to calculate than listed securities. Valuations may be misleading.</p> <p>Difficulties in establishing a robust market price or valuation of unlisted securities, coupled with the Performance Fee, which is calculated by reference to the net asset value of the Investment Portfolio (as determined by the Manager), exposes the Company to the risk of a potential misstatement of the fair value of unlisted investments in the Investment Portfolio.</p>
Performance Fee incentive	<p>The Performance Fee may create an incentive for the Manager to make investments on behalf of the Company that are riskier and more speculative than would be the case in the absence of a fee payable to the Manager based solely on the performance of the Company, which may add to the risk and volatility of the Investment Portfolio's underlying investments.</p> <p>However, the Company notes that the Performance Fee structure as set out in Section 10.1 is designed such that the Manager loses up to 50% of its Performance Fees if there is a period of underperformance of the Investment Portfolio. Please refer to Section 10.1 for full details of how and when the Performance Fee is payable.</p>
Financial market volatility	<p>A fall in global or local equity markets, global or local bond markets or lack of movement in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on the price at which the Securities trade on ASX.</p> <p>The Company may from time to time hold cash to a level considered appropriate by the Manager. Despite the cash component within the Investment Portfolio from time to time, the Company is designed to provide investors with exposure to the Australian listed and unlisted securities market. As such, there will always be a market volatility risk exposure. That risk may materially affect both the performance of the securities in which the Company invests and the net tangible asset backing of the Shares.</p>

Type of risk	Description of risk
Manager risk	<p>The success and profitability of the Investment Portfolio in part will depend upon the ability of the Manager to make investments that increase in value over time and the retention of the Manager as manager of the Investment Portfolio (together with the retention of the Manager's investment team).</p> <p>The following factors may affect the Manager's performance:</p> <ul style="list-style-type: none"> ■ poor investment strategy and securities selection in that the Manager may be unable to construct a portfolio in accordance with the Company's proposed investment objectives, strategy, guidelines and permitted investments and even if it does so, there can be no guarantee that the investment strategy will be successful or that the Manager will not make investment decisions that result in unprofitable outcomes; ■ changing conditions such as: <ul style="list-style-type: none"> – negative changes in market sentiment to Microcap Companies or equities in general; and – changes in a specific sector of Microcap Companies which adversely effects such sector's financial and market performance, <p>may adversely affect investment strategies and decisions;</p> ■ loss of key clients and/or personnel; ■ market perception of the Manager and its funds management business; and ■ market and systemic risk. <p>While the Manager will seek to mitigate the risks that may adversely affect its investment performance or its investment decisions, through implementation of internal risk management policies and procedures designed to monitor and address these risks, there can be no guarantee the Manager will achieve any particular investment return within the Investment Portfolio or that its future performance will match or exceed its past performance.</p> <p>The Manager is required to hold an Australian Financial Services Licence to operate its business. The ability of the Manager to continue managing the Investment Portfolio is dependent on the maintenance of its Australian Financial Services Licence. To the extent that the Manager should lose or have restrictions imposed on its Australian Financial Services Licence to prevent it from continuing to manage the Company, the Company will need to identify and engage a suitably qualified and experienced manager to implement the Company's investment strategy. Similarly, if the Management Agreement is terminated for any other reason, the Company will need to identify and engage a suitably qualified and experienced investment manager.</p> <p>There can be no guarantee that the Company will be able to identify an appropriately qualified replacement for the Manager or, if such person or entity is appointed, that it will be able to perform its duties as investment manager under the Management Agreement to the standard required by the Company or to a level that matches or exceeds the performance of the Manager. The Management Agreement is terminable by the Manager by not less than 3 months written notice to the Company. See 10.1 for further details of the terms of the Management Agreement.</p>
Investment risk	<p>There is a risk that the Securities and/or the Company's investments will fall in value over the short or long term. Individual security prices may fluctuate and under perform other asset classes over time. Investors in the Company are exposed to this risk through both their holding in the Securities and through the Company's investments.</p> <p>Also, the Shares of the Company may trade on ASX at a discount to the net asset value of the Investment Portfolio on a per Share basis and the performance of the Shares may not be correlated with the performance of the Investment Portfolio.</p> <p>The Investment Portfolio will take approximately 3 months to construct. During this period the risk exists that movements in the market may result in an Investment Portfolio with a cost base different to the cost base that would apply if the Company listed with a fully constructed Investment Portfolio.</p> <p>The Manager will invest in Microcap Companies. Generally, the investment instrument will be in the form of equity which is subordinated to debt instruments and should therefore be considered as being of greater risk.</p>
Regulatory risk	<p>The Company is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (for example, ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time depending on changes in the laws and the policies of the governments and regulatory authorities.</p> <p>The Company is exposed to the risk of changes to the applicable laws and/or the interpretation of existing laws which may have a negative effect on the Company, its investments and/or returns to Shareholders and Optionholders or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Company.</p>
Personnel risk	<p>The Manager's performance is largely dependent on the skills and efforts of its investment team. The Manager's ability to perform effectively is dependent on its ability to retain and motivate its investment team. There can be no guarantee that the Manager will be able to retain its investment team or that the Manager will be able to attract and retain management personnel of sufficient experience and expertise to manage the Investment Portfolio.</p>

Type of risk	Description of risk
Potential conflicts of interest	The Manager is, and may continue to be, the manager or adviser to other funds and investment vehicles which invest in, or are permitted to invest in, Microcap Companies. It is possible therefore that the Manager may, in the course of its business, have potential conflicts of interest which may not be managed effectively and therefore may be detrimental to the Shareholders and Optionholders.
Currency and foreign jurisdiction risk	In addition to investments in Australian entities, the Manager may invest in those entities with an Australia Nexus but which are not domiciled in Australia. Hence the Company may assume currency exposure and there is a risk that adverse movements in exchange rates will reduce their value in Australian dollar terms. In addition, the Company may be exposed to risks relating to its investments in securities of entities which are located in a foreign jurisdiction, where the laws of those foreign jurisdictions offer less legal rights and protections to security holders of securities in such foreign entities as compared to the laws in Australia.
Counterparty and credit risk	<p>Counterparty risk is the risk that a counterparty, such as a clearing house, will not be able to meet its obligations under a contract.</p> <p>The investment strategies of the Company and the Manager rely on the successful performance of contracts with external parties, including securities brokers and service providers. There is a risk that these counterparties may not meet their responsibilities, including as a result of insolvency, financial distress or liquidation of the counterparty, which may expose the Company to the risk of loss. In the case of a default, the Company could also become subject to adverse market movements while replacement transactions are executed.</p> <p>The ability of the Company to transact business with one or more counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Company.</p>
Interest rate risk	Changes in short and long-term interest rates can have a positive or negative impact on investment returns.
Dividend risk	<p>The ability of the Company to offer a fully franked dividend is contingent on it making taxable profits. The Company's taxable profits may be volatile, making the reliable forecasting and payment of dividends difficult and unpredictable.</p> <p>No guarantee can be given concerning the future earnings of the Company, the earnings and capital appreciation of the Company's Investment Portfolio or the return of the capital invested by Shareholders and Optionholders. Specifically, the Manager may make poor investment decisions resulting in the returns being inadequate to pay an annual dividend to Shareholders.</p>
Operational costs	Operational costs for the Company as a proportion of total assets will be affected by the level of acceptance of this Offer. Operational costs representing a greater proportion of total assets will reduce the operating results of the Company and its ability to make dividend payments.
Accounting policy risk	Changes to accounting policies may influence the approach in determining the fair value of investments held by the Company and may have a detrimental impact on the fair value of investments.
Size of Investment Portfolio	The size of the Investment Portfolio may affect its risk profile. The Company may not be able to manage its risks as efficiently if it achieves only the Minimum Subscription. However, the risk of loss of investments included in the Investment Portfolio will not necessarily be reduced if the level of acceptance under this Offer exceeds the Minimum Subscription.
Future capital requirements of the Company	<p>There can be no assurance that the Company will not need to raise additional capital to fully exploit business opportunities available to it. There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.</p> <p>If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forgo an investment opportunity, which could adversely affect its business, financial condition and results of operation.</p>

Type of risk	Description of risk
Market risk	<p>Investment returns are influenced by general market factors both in Australia and internationally and by factors specific to each security. In particular, the market prices of the shares of many listed entities have in recent times experienced wide fluctuations which in many cases reflect a diverse range of non-entity specific influences including:</p> <ul style="list-style-type: none"> ■ general economic conditions, including changes in inflation rates, short-term or long-term interest rates, exchange rates and commodity prices; ■ variations in the local and global markets for listed securities; ■ domestic and international economic conditions; ■ changes in investor confidence generally and in relation to specific sectors of the market; ■ natural disasters, global hostilities and acts of terrorism; ■ changes to government policy, legislation or regulation including in relation to taxation and other policy changes; and ■ the inclusion or removal of stocks from major market indices. <p>The Investment Portfolio will be constructed so as to reduce market risks but they cannot be entirely eliminated. In a strong equity market, the Investment Portfolio may underperform the broader market, as the Investment Portfolio will have limited exposure to market risk.</p> <p>As a result, no guarantee can be given in respect of the future earnings of the Company or the earnings and capital appreciation of the Company's investments.</p>
No operating or performance history of the Company	<p>The Company is a new entity with no financial, operating or performance history and no track record which can be used by investors to make any form of assessment of the ability of the Company and/or Manager to achieve the objectives set out in the Prospectus.</p> <p>The information in this Prospectus about the investment objectives of the Company are not forecasts, projections or the result of any simulation of future performance. There is a risk that the Company's investment objectives will not be achieved.</p>
Industry risk	<p>There are a number of industry risk factors that may affect the future operation or performance of the Company that are outside its control. These include increased regulatory and compliance costs and variations in legislation and government policies generally.</p>
Changes in taxation laws and policies	<p>Tax laws are in a continual state of change and reform which may affect the Company and its Shareholders and Optionholders.</p> <p>Tax liabilities are the responsibility of each individual investor. There may be tax implications arising from ownership of the Securities (and upon exercise of the Options), the receipt of franked and unfranked dividends (if any) from the Company, receiving returns of capital and the disposal of the Securities.</p> <p>Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. Dividends paid by the Company to certain investors may not be recognised as frankable by the Australian Taxation Office.</p> <p>The Company is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.</p>

5.3 Timeframe for investments

Investors are strongly advised to regard any investment in the Company as a long term proposition and to be aware that, as with any equity investment, substantial fluctuations in the value of their investment may occur. As noted above, the Manager estimates it will take approximately 6 months to fully construct the Investment Portfolio.

In addition, the above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities. Therefore, there is no guarantee with respect to the payment of dividends, returns of capital or the market value of the Securities.

You should consider that an investment in the Company is speculative and consult your professional advisers before deciding whether to apply for the Securities.

6. Key people, benefits and interests

Information regarding the proposed Board and senior management of the Company is set out below.

6.1 The Board

John Steven (Chairman and Independent Non-executive Director)

John Steven was appointed a director and non-executive chairman of the Company prior to the lodgement of the Prospectus with ASIC. He holds a Bachelor of Law (with Honours), a Bachelor of Economics and a Diploma of Commercial Law from Monash University.

John is the head of the National Corporate Division and a member of the National Board of Minter Ellison. He practises in the corporate and capital markets area, particularly public and private mergers and acquisitions, capital raisings and joint ventures. He also has an extensive general corporate practice.

John is currently chairman of the Advisory Committee of the private investment funds on behalf of commercial and State government investors. He was previously a Board Member of the Monash University Law Foundation.

Judith Smith (Independent Non-executive Director)

Judith was formerly the Head of Private Equity at IFM Investors and Chair of the IFM Risk Committee. Judith was also a member of the IFM Investments Committee, a role she has retained following her retirement from the firm. Prior to her role at IFM, Judith held various investment management roles including more than a decade at National Mutual Funds Management (NMFM). At NMFM, she managed Australian equity research and strategy, as well as Australian equity portfolios. Judith holds a Master of Applied Finance from the University of Melbourne and a Bachelor of Economics (with Honours) from Monash University. She is a Fellow of the Financial Services Institute of Australasia and Graduate member of the Australian Institute of Company Directors. Judith has been a director of the Australian Renewable Energy Authority Board since 2012.

David Trude (Independent Non-executive Director)

David is a senior corporate banking executive with 40 years' experience in a variety of financial services roles in the banking and securities industries. He is the Chairman of Baillieu Holst (formerly E.L.&C. Baillieu), a position he has held since 2010 and has been a member of its Board since 2007. David was formerly Managing Director, Australian Chief Executive Officer/Country Manager of Credit Suisse, where he is currently a Consultant. He is Chairman of Waterford Retirement Village, Hansen Technologies Limited and East West Line Parks Limited and is a member of the board of Chi-X Australia Pty Ltd. He is a former Panel Member of the ASX Disciplinary Tribunal and Director of the Stockbrokers Association of Australia.

Robert Brown (Director)

Robert Brown is an independent director of the Manager and is Chairman of its subsidiary Australian Microcap Investments Pty Ltd. He is a professor of finance in the Department of Finance, University of Melbourne, where his research has focused on security market behaviour. He holds a Bachelor of Economics (Honours), Master of Economics and a Graduate Diploma in Accounting and is a fellow of CPA Australia, a senior fellow of the Australasian Institute of Financial Services and a graduate of the Australian Institute of Company Directors.

Barry Fairley (Director)

Barry Fairley is the Managing Director of the Manager. In this capacity he is responsible for the strategic direction and management of the Manager. Barry founded the Manager in 1998 and has more than 40 years of investment experience.

Prior to forming the Manager, Barry was the Managing Director at Triako Resources Limited. During his 15 years at Triako Resources, Barry was responsible for the company's strategic direction and management, including the acquisition and financing of major projects. Barry also served as a Partner/Director at McIntosh Securities Limited. Barry began his career at Colonial Mutual Life where he was a Financial Analyst.

Barry holds a Diploma in Mining Engineering and is a Senior Associate of the Financial Services Institute of Australasia.

6.2 Management team

Each member of the management team of the Manager referred to in Section 4.5 is employed by the Manager. As these persons are not employees of the Company, they will not be entitled to be paid any fees by the Company (except persons who are appointed to the Board (refer to Sections 6.1 and 6.4 for details)).

6.3 Interests and benefits of experts and advisers

Except as disclosed in this Prospectus, no expert, stockbroker, promoter or any other person named in this Prospectus, has now, or has had, at any time during the 2 years ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or
- the Offer.

Legal Adviser

Minter Ellison has acted as the Company's Australian legal adviser and in that capacity has been involved in providing Australian legal advice to the Company in relation to the Prospectus and the Offer. The Company has paid or agreed to pay Minter Ellison estimated fees of approximately \$235,000 (plus GST and disbursements) in respect of these services provided, in accordance with its usual time based charge out rates.

Auditor

Ernst & Young is the auditor of the Company. The Company has agreed to pay fees of approximately \$35,000 (plus GST and disbursements) in respect of audit services to be provided this financial year.

Investigating Accountant

Ernst & Young has acted as the Investigating Accountant to the Offer and has prepared the Investigating Accountant's independent assurance report on the historical and pro forma financial information contained in Section 8. The Company has paid or agreed to pay Ernst & Young estimated fees of approximately \$34,000 (plus GST and disbursements) in respect of these services performed in relation to the Prospectus.

Authorised Intermediary

Baillieu Holst Ltd has agreed to act as the Authorised Intermediary to the Offer. Details of the fees and other amounts the Company has paid or agreed to pay to the Authorised Intermediary for its services are set out in Section 10.1.

Joint Lead Manager

Baillieu Holst Ltd, Morgans Financial Limited, T.C. Corporate Pty Ltd and Bell Potter Securities Limited have each agreed to act as Joint Lead Managers to the Offer. Details of the Offer Management Agreement (including fees and other amounts paid or payable to the Joint Lead Managers for their services), are set out in Section 10.2.

Manager

Acorn Capital Limited has agreed to act as the Manager of the Company's Investment Portfolio under the terms of the Management Agreement. Details of the Management Agreement (including fees and other amounts paid or payable to the Manager for its services, and the entitlement of the Manager to be reimbursed costs associated with the establishment of the Company), are set out in Section 10.1.

6.4 Custodian

The Company has appointed National Australia Bank Limited ABN 12 004 044 937 (NAB) as the custodian of the assets of its Investment Portfolio. The Custodian's role is limited to holding the assets of the Investment Portfolio as agent of the company. The Custodian has no supervisory role in relation to the operations of the Company and is not responsible for protecting its interests. The Custodian has no liability or responsibility for any act done or omission made in accordance with the terms of the Custody Agreement. The Custodian makes no statement in this Prospectus and has not authorised or cause the issue of it.

NAB has given and not withdrawn its consent to be in the Prospectus as the Custodian.

The Custodian holds the Investment Portfolio as bare trustee and such investments are not investment of, NAB or any other member of the NAB group of companies (NAB Group). Neither NAB, nor any other member of NAB Group, guarantees the performance of the investment or the underlying assets of the Investment Portfolio, or provide a guarantee or assurance in respect of the obligations of the Company or its related entities.

6.5 Interests of directors

Other than as set out below or elsewhere in this Prospectus:

- no Director or proposed Director holds at the date of this Prospectus or held at any time during the last 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:
 - the formation or promotion of the Company; or
 - any property acquired or proposed to be acquired by the Company in connection with its formation or in connection with the Offer; or
 - the Offer; and
- no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:
 - to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
 - for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or in connection with the Offer.

Shareholdings of Directors

At the date of this Prospectus, the Company has 1 Share on issue which is held by the Manager.

The Directors (and directors, shareholders and employees of the Manager) may subscribe for Securities as part of the Offer. Other than as set out in the above, no Director has an interest in the securities of the Company immediately prior to the date of this Prospectus.

Remuneration of Directors

The Directors have agreed that John Steven (Chairman) will initially receive \$60,000 per annum (inclusive of superannuation) and Judith Smith and David Trude will each initially receive \$40,000 per annum (inclusive of superannuation) in fees, for acting as a Director of the Company.

Each of Barry Fairley and Robert Brown is a director and shareholder of the Manager. As a director and shareholder of the Manager, they will benefit from the entry by the Manager into the Management Agreement with the Company and by the payment of fees under the Management Agreement. The Company believes that the Management Agreement has been entered on arm's length terms and that the remuneration payable to the Manager is reasonable. Accordingly, the Company has not obtained Shareholder approval to the execution of the Management Agreement. Details of the Management Agreement are set out in Section 10.1 of this Prospectus.

Deeds of Indemnity, Insurance and Access

The Company has entered into deeds of indemnity, insurance and access (the Deeds) with each Director which confirm each Director's right of access to certain books and records of the Company for a period of 7 years after the Director ceases to hold office.

This 7 year period may be extended where certain proceedings or investigations commence before that 7 year period expires.

Pursuant to the Constitution, the Company may indemnify each person who is or has been a Director or secretary of the Company against certain liabilities incurred by that person as a Director or secretary of the Company. Under the Deeds, the Company indemnifies each Director against any and all 'Liabilities' (as that term is defined in the Deeds) incurred by the Director as an officer of the Company (or a controlled entity of the Company) and any and all reasonable 'Legal Costs' (as that term is defined in the Deeds) incurred by the Director in defending an action for a 'Liability' (as that term is defined in the Deeds) incurred by the Director as an officer of the Company (or a controlled entity of the Company). The Deeds stipulate that the indemnities are unlimited as to amount, continuing and irrevocable.

Pursuant to the Constitution, the Company may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by the person as a Director. Under the Deeds, the Company must obtain insurance during each Director's period of office and for a period of 7 years after a Director ceases to hold office.

6.6 Related Party Transactions

As at the date of this Prospectus, the Manager is the sole Shareholder of the Company and is therefore a related party of the Company. The Company and the Manager have entered into a Management Agreement pursuant to which the Manager is entitled to be paid certain fees by the Company. Further details of the Management Agreement are set out below and in Section 10.1.

It is also proposed that Australian Unity Funds Management Limited, a member of the Australian Unity Limited group (whose various related entities together own approximately 44% of the fully diluted equity interests in the Manager) will act as a co-manager to the Offer and will be paid the Service Fee to the extent applicable. For the avoidance of doubt, Australian Unity Funds Management Limited's role (if any) is limited to assisting the Joint Lead Managers in arranging and managing the marketing of the Offer and where relevant, act as bookrunners for the Offer.

The Manager has a number of different clients on whose behalf it invests under its various investment mandates. One of these clients is the AUI-Acorn Microcap Trust (Trust). This fund is managed by the Manager and Australian Unity Funds Management Limited acts as the trustee of the Trust. The AUI-Acorn Microcap Trust is one of a suite of investment products offered by Australian Unity Funds Management Limited.

Certain shareholders, directors and employees of the Manager have indicated an intention to apply for Securities under the Offer.

Other than as set out above, there are no existing agreements or arrangements nor any currently proposed transactions in which the Company was, or is to be, a participant and in which any related party of the Company has or will have a direct or indirect interest in the Company or the Offer.

6.7 The Board and Corporate Governance

The Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment.

The Board endorses the Corporate Governance Principles and Recommendations (ASX Recommendations) published by the ASX Corporate Governance Council and has adopted corporate governance charters and policies reflecting those ASX Recommendations.

The Company intends that the following policies and procedures will be implemented and made available on the Company's website prior to listing of the Company on the Official List.

Board Charter

The Board Charter formalises the functions and responsibilities of the Board. The Board is ultimately responsible for all matters relating to the running of the Company.

Code of Conduct

The Code of Conduct for Directors and key executives addresses matters relevant to the Company's legal and ethical obligation to its stakeholders. The policy outlines its requirements with respect to:

- relationships;
- compliance with laws and ethics;
- conflicts of interest;
- confidentiality;
- use of Company assets; and
- competition.

Securities Trading Policy

The Securities Trading Policy sets out the Company's policy with regard to trading in Company securities. The policy applies to all Directors, key management personnel and other employees of the Company and their associates. The policy outlines: the requirements; general prohibition on insider trading; restrictions on trading; additional restrictions on short-term trading; permission to trade; exceptions; required notification of proposed trade in Company securities; and notification of trade in the Company's securities.

Audit Committee Charter

The Audit Committee Charter outlines the composition of the Committee; its responsibilities; authority; meeting requirements; reporting procedures; and oversight of the risk management system.

Continuous Disclosure Policy

The Continuous Disclosure Policy has been adopted with a view to ensuring that the Company complies with the protocol requirements of the ASX Listing Rules. The strategy highlights the requirements for immediate notification; the procedure for disclosing the information; those responsible for disclosing this information; and policy review details.

Shareholder Communication Policy

The Board of directors aims to ensure that shareholders are informed of all major developments. The Shareholder Communication Policy outlines responsibilities for reports issued to shareholders; ASX announcements; Annual General Meetings; maintenance of the Company website; requests for information; and review of shareholder communications.

Diversity policy

This policy sets out the company's objectives for achieving diversity amongst its board.

Nomination and Remuneration Committee Charter

The Nomination and Remuneration Committee Charter outlines the composition of the committee; its responsibilities; duties; and meeting requirements.

The responsibilities of the Board include:

- protection and enhancement of shareholder value;
- formulation, review and approval of the objectives and strategic direction of the Company;
- monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results;
- approving all significant business transactions including acquisitions, divestments and capital expenditure;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the review of performance and remuneration of executive directors and key staff;
- the establishment and maintenance of appropriate ethical standards; and
- evaluating and, where appropriate, adopting with or without modification the ASX Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

The Company has considered the ASX Recommendations to determine an appropriate system of control and accountability to best fit its business and operations commensurate with these guidelines.

The Company will seek to follow these recommendations and, as required under the Listing Rules, where the Company determines it would be inappropriate to follow the principles because of its circumstances, the Company will provide reasons for not doing so in its annual report.

The Board will consider on an ongoing basis its corporate governance procedures and whether they are sufficient given the Company's nature of operations and size.

The Board has determined, given the size of the Board and the Company, that it is not appropriate to disclose the process for performance evaluation of the Board, its committees and individual Directors, and key executives. Rather than a formal review procedure, the Board has adopted a self-evaluation process to measure its own performance, which is overseen by the Nomination and Remuneration Committee.

Other than these two instances, the Board does not anticipate that it will depart from the ASX Recommendations.

Independence

The board considers that each of John Steven, Judith Smith and David Trude is an independent director, free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with the independent exercise of the Director's judgement and each is able to fulfill the role of an independent for the purposes of the ASX Recommendations.

Robert Brown and Barry Fairley are currently considered by the Board to not be independent. With regard to the indicators of independence set out in Box 2.1 of the ASX Recommendations, Robert Brown is not considered independent given his position as director of the Manager and chairman of the Manager's subsidiary, Australian Microcap Investments Pty Ltd. Barry Fairley is currently the Managing Director and founder of the Manager and therefore is not independent.

7. Financial Information

7.1 Use of proceeds

The Company intends to use the funds raised from the Offer for investment consistent with the investment strategy, objectives, guidance and permitted investments set out in Section 3 and to pay the costs of the Offer.

7.2 Unaudited statements of financial position

The Historical Statement of Financial Position (Historical Financial Information) has been extracted from the unaudited trial balance of ACIF as at 10 February 2014. The pro forma statements of financial position (Pro Forma Financial Information) set out below have been prepared to illustrate the effects of the pro forma transactions described below for the three different subscription amounts as if they occurred on 26 March 2014:

- Completion of the Offer based on each of the amounts indicated being raised; and
- Payment of the Offer related expenses, as deducted from the cash amount, in accordance with Section 7.5 below.

The pro forma statements of financial position have been prepared on the basis of the following assumptions:

- One half of the total Subscription Amount has been raised from the Broker Firm Offer and the other half from the General Offer and all Applicants under the Broker Firm Offer have consented to the payment of the Service Fee.
- All subscribers for Shares are either Australian residents or are investing through an Australian resident entity.
- The Company will derive future income of a sufficient nature to enable the recognition of a deferred tax asset in relation to the costs of the Offer.
- The Company is registered for GST in Australia and is eligible to claim reduced input taxed credits on eligible expenses incurred in relation to the Offer in accordance with the Goods and Services Tax Act 1999.

This means that the tax benefit (a 30% deduction) is applied to the cost net of any GST refundable to reduce them by 30%. For example

Expense (net of tax)	\$71.75
GST Receivable	\$7.50
Deferred Tax Asset	\$30.75
	\$110.00
Calculated as follows:	
Cash Outlay (GST Inclusive)	\$110.00
less Reduced Input Tax Credit	(\$7.50)
Net Expense (pre DTA)	\$102.50
DTA (30% of Net Expense)	\$30.75

a cash outlay of \$110 dollars (GST inclusive) which the Company can claim a 75% reduced input tax credit on is presented in these statements as follows:

The Service Fee of 1.65 cents (inclusive of GST) payable by wholesale Applicants or retail Applicants who provide consent to the payment of the Service Fee who receive a firm allocation by a Broker under the Broker Firm Offer will be collected by the Company on behalf of the Brokers and will be held on trust pending the Allotment Date. On the Allotment Date, Service Fees attributable to institutional Applicants will be transferred into a separate service fee trust account and paid to Brokers.

The Service Fee in respect of retail Applicants who provide consent to the payment of the Service Fee will also be transferred into the service fee trust account on the Allotment Date and paid to the Brokers.

Retail Applicants who do not provide their consent to the Service Fee being paid to the Broker will nevertheless pay an Application Amount of \$1.00 per Share, which will then comprise the Issue Price per Share (with no Service Fee Payable). The Company will retain any interest earned on all Application Monies whether or not any Service Fee is paid to the Broker.

As the Service Fee is collected by the Company on behalf of the Brokers and held on trust pending on-payment to the Brokers, the Service Fee does not form a part of the Company's proceeds of the Offer. Accordingly, the statements below are exclusive of Service Fee.

If you do not understand the unaudited pro forma statements of financial position and related notes you should seek professional guidance from your professional adviser before deciding whether to invest in the Securities.

Historical and Pro Forma Statements of Financial Position

	Unaudited Historical Statement of Financial Position as at 10 February 2014	Pro Forma Statements of Financial Position as at 26 March 2014		
		Minimum Subscription \$50,000,000	Subscription \$75,000,000	Maximum Subscription \$100,000,000
ASSETS				
Cash	1	48,927,888	73,630,046	98,324,588
GST Receivable	-	38,156	57,252	76,868
Prepayment	-	69,548	69,548	69,548
Deferred Tax Asset	146	289,323	372,947	458,699
Total Assets	147	49,324,914	74,129,792	98,929,703
Liabilities	488	-	-	-
Net Assets	(341)	49,324,914	74,129,792	98,929,703
EQUITY				
Issued Shares & Options	1	50,000,001	75,000,001	100,000,001
Less costs of fundraising	-	(674,745)	(869,867)	(1,069,956)
Retained earnings	(342)	(342)	(342)	(342)
Total Equity	(341)	49,324,914	74,129,792	98,929,703
NAV Per Share	(340.60)	0.9783	0.9802	0.9811

Note: The figures in the above table are calculated assuming 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer and before the exercise of Options and all Applicants under the Broker Firm Offer have consented to the payment of the Service Fee. To the extent that the Broker Firm Offer is greater than or less than 50% it will respectively diminish or increase the NAV per Share in the pro forma statement of financial position. By way of example if 100% of the Offer is raised under the Broker Firm Offer, then the NAV per Share (based on the Minimum Subscription) will be \$0.9702 and if 100% of the Offer is raised under the General Offer, then the NAV per Share (based on the Minimum Subscription) will be \$0.9865.

7.3 Capital structure

The anticipated capital structure of the Company on completion of the Offer (assuming 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer and before the exercise of Options and all Applicants under the Broker Firm Offer have consented to the payment of the Service Fee) is set out below:

	As at 10 February 2014	Minimum Subscription \$50,000,000	Subscription \$75,000,000	Maximum Subscription \$100,000,000
Number of Shares	1	50,419,421	75,629,132	100,838,842
Number of Options	0	50,419,420	75,629,131	100,838,841

7.4 Cash

A reconciliation of the historical statement of financial position and the unaudited pro forma statements of financial position for cash (calculated on the basis that 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer and before the exercise of Options and all Applicants under the Broker Firm Offer have consented to the payment of the Service Fee) is as below:

	As at 10 February 2014	Pro Forma Statements of Financial Position as at 26 March 2014		
		Minimum Subscription \$50,000,000	Subscription \$75,000,000	Maximum Subscription \$100,000,000
Initial Subscriber Share	1	1	1	1
Proceeds of Offer	-	50,000,000	75,000,000	100,000,000
Expenses of Offer	-	(674,745)	(869,867)	(1,069,956)
Formation Expenses	-	(342)	(342)	(342)
GST Receivable	-	(38,156)	(57,252)	(76,868)
Prepayment	-	(69,548)	(69,548)	(69,548)
Deferred Tax Asset	-	(289,323)	(372,947)	(458,699)
Estimated net Cash Position	1	48,927,888	73,630,046	98,324,588

7.5 Expenses of the Offer

Expenses already incurred by the Company prior to the Offer have been expensed and make up the balance in retained earnings above.

The expenses to be paid by the Company in relation to the Offer have been estimated at \$674,745 assuming a Minimum Subscription of \$50 million is achieved and \$1,069,956 assuming a maximum subscription of \$100 million is achieved (in both cases calculated on the basis that 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer and all Applicants under the Broker Firm Offer have consented to the payment of the Service Fee). A breakdown of these expenses (net of claimable GST and deferred tax asset) for both a Minimum Subscription of \$50 million and a maximum subscription of \$100 million (calculated on the above basis) is provided below:

	Minimum Subscription \$50,000,000	Maximum Subscription \$100,000,000
Joint Lead Manager Fees	358,750	717,500
Legal Fees	180,950	180,950
Investigating Accountant & Tax Fees	26,180	26,180
Registry Fees	6,278	17,869
ASX Fees	79,202	104,073
ASIC Lodgement Fees	1,558	1,558
Other Expenses	21,827	21,827
Total estimated expenses of the Offer	674,745	1,069,956

7.6 Significant accounting policies

A summary of significant accounting policies that have been adopted in the preparation of the pro forma statements of financial position set out in Section 7.2. or that will be adopted and applied in preparation of the financial statements of the Company for the period ending 30 June 2014 and subsequent periods, is set out as follows:

(a) Basis of preparation

The historical statement of financial position has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board.

The pro forma statements of financial position have been prepared in a manner consistent with the recognition and measurement principles of Australian Accounting Standards issued by the Australian Accounting Standards Board.

Australian Accounting Standards set out an accounting framework that the Australian Accounting Standards Board have concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with the recognition and measurement requirements of Australian Accounting Standards ensures that the pro forma statements of financial position also comply with the recognition and measurement requirements of International Financial Reporting Standards.

The financial information presented in the Prospectus is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with Australian Accounting Standards. The pro forma statements of financial position have been prepared on the basis of assumptions outlined in Section 7.2.

The costs incurred by the Company in relation to the Offer are presented net of deferred tax assets (DTA) and reduced input tax credits in accordance with Australian accounting standards and the accounting policies described in this Section 7.6.

The historical and pro forma statements of financial position have been prepared on an accrual basis and are based on historical cost.

(b) Investments

Investments held at fair value through profit or loss will initially be recognised at fair value. Subsequent to initial recognition, all investments held at fair value through profit or loss, will be accounted for at fair value, with changes to such values recognised in profit or loss.

Fair value in an active market

The Company will value listed investments at the last quoted bid price.

Fair value in an inactive or unquoted market

The fair value of investments that are not traded in an active market will be determined using valuation techniques.

In assessing the valuation methods available, the Company will aim to utilise the methods which maximise the use of observable inputs and minimise the use of unobservable inputs, in accordance with the fair value hierarchy principles in current Australian Accounting Standards.

Investments will be recognised on a trade date basis.

(c) Foreign currency translation

Functional and presentation currency

Items included in the Company's financial statements will be measured using the currency of the primary economic environment in which it operates. This is the Australian dollar, which reflects the currency of the economy in which the Company competes for funds and is regulated. The Australian dollar is also the Company's presentation currency.

Transactions and balances

Transactions during the year denominated in foreign currency will be translated at the exchange rate prevailing at the transaction date. Overseas investments and currency, together with any accrued income, will be translated at the exchange rate prevailing at the balance date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, will be recognised in profit or loss. Net exchange gains and losses arising on the revaluation of investments will be included in net gains/(losses) on investments.

(d) Income tax

Under current legislation, the Company is subject to income tax at 30% on taxable income. A capital gains tax concession may be available to investors where certain requirements are met. Refer to Section 9 for further information.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities will be recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates will be applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. No deferred tax asset or liability will be recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets will be recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax balances attributable to amounts recognised directly in equity will also be recognised directly in equity.

(e) Goods and Services Tax (GST)

The Company is registered for GST and under current regulations will only claim 75% of the GST incurred in respect of particular expenses, depending on the nature of the expense. The un-claimable portion will be written off as an expense or capitalised and included in the deferred tax assets as appropriate.

(f) Revenue and expenses

Revenue and expenses will be brought to account on the accrual basis. Changes in the net fair value of investments will be recognised in profit or loss and will be determined as the difference between the net fair value at year end or consideration received (if sold during the year) and the carrying value of the investment.

(g) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts will be shown within interest bearing liabilities in current liabilities in the Statement of Financial Position.

(h) Receivables

Receivables may include amounts for dividends, interest and securities sold. Dividends will be receivable when they have been declared and are legally payable. Interest will be accrued at the balance date from the time of last payment. Amounts receivable for securities sold will be recorded when a sale has occurred.

(i) Payables

These amounts will represent liabilities for amounts owing by the Company at year end which are unpaid. The amounts will be unsecured and will usually be paid within 30 days of recognition.

(j) Prepayments

The Company will recognise as a prepayment, costs incurred from which a benefit is expected to be derived in the future. The period over which the prepayment will be expensed will be determined by the period of benefit covered by the prepayment.

(k) Share Capital

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

(l) Share Option Reserve

The share option reserve will be measured at the fair value of the Options at the date of issue. This reserve is adjusted, with a corresponding entry to share capital, on exercise of the Options. At the expiration of the Option period, the portion of the reserve relating to unexercised Options will be transferred to a capital reserve.

8. Investigating Accountant's independent limited assurance report on the historical and pro forma financial information



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26 March 2014

Board of Directors
Acorn Capital Investment Fund Limited
Level 12, 90 Collins St
Melbourne, VIC 3000

Dear Directors

Independent Limited Assurance Report on Acorn Capital Investment Fund Limited's Historical and Pro Forma Financial Information

1. Introduction

We have been engaged by Acorn Capital Investment Fund Limited to report on the historical and pro forma financial information of Acorn Capital Investment Fund Limited ("ACIF") for inclusion in the Prospectus to be dated on 26 March 2014, and to be issued by ACIF, in respect of an offer of shares (together with one option to acquire one share for every one share issued) in ACIF to raise a minimum of \$50 million and up to an aggregate of \$100 million ("the Proposed Transaction").

Expressions and terms defined in the Prospectus have the same meaning in this report.

2. Scope

Historical Financial Information of ACIF

You have requested Ernst & Young to review the following historical financial information of ACIF included in Section 7.2 of the Prospectus:

- the Historical Statement of Financial Position as at 10 February 2014.

(Hereafter the 'Historical Financial Information')

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board. The Historical Financial Information has been extracted from the unaudited trial balance of ACIF as at 10 February 2014, being ACIF's date of incorporation.

The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Financial Information of ACIF

You have requested Ernst & Young to review the following pro forma financial information of ACIF included in Section 7.2 of the Prospectus:

- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of the minimum subscription of \$50 million of ordinary shares.
- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of a subscription of \$75 million of ordinary shares.
- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of a subscription of \$100 million of ordinary shares.

(Hereafter the 'Pro Forma Financial Information')

The Pro Forma Financial Information has been prepared to adjust for the effects of pro forma transactions described in Section 7.2 of the Prospectus. The stated basis of preparation is in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards issued by the Australian Accounting Standards Board applied to the events or transactions to which the pro forma transactions relate, as described in Section 7.2 of the Prospectus, as if those events or transactions had occurred as at 26 March 2014. Due to its nature, the Pro Forma Financial Information does not represent ACIF's actual or prospective financial position.

The Pro Forma Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of Acorn Capital Investment Fund Limited are responsible for the preparation and presentation of the Historical and Pro Forma Financial Information, including the selection and determination of pro forma transactions included in the Pro Forma Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical and Pro Forma Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical and Pro Forma Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. It is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Section 7.2 of the Prospectus and comprising:

- the Historical Statement of Financial Position as at 10 February 2014

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 7.6(a) of the Prospectus.

Pro Forma Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Financial Information, as described in Section 7.2 of the Prospectus and comprising:

- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of the minimum subscription of \$50 million of ordinary shares.
- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of a subscription of \$75 million of ordinary shares.
- the Pro forma Statement of Financial Position as at 26 March 2014 based on the raising of a subscription of \$100 million of ordinary shares.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 7.6(a) of the Prospectus.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 7.2 of the Prospectus, which describes the purpose of the Historical and Pro Forma Financial Information, being for inclusion in the Prospectus. As a result, the Historical and Pro Forma Financial Information may not be suitable for use for another purpose.

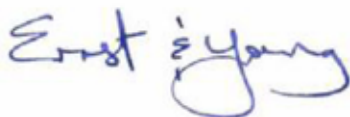
7. Consent

Ernst & Young has consented to the inclusion of this assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of the Proposed Transaction other than the preparation of this report for which normal professional fees will be received.

Yours faithfully



Ernst & Young

9. Taxation

9.1 Summary of Australian Taxation

Australian tax implications

The following is a summary of the Australian tax implications of the Offer for investors who are residents of Australia for tax purposes and who hold their Shares and Options as capital assets. This summary is based on the law in effect as at the date of this Prospectus, is general in nature and should not be relied on by potential investors as tax advice. Potential investors should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

This Section does not consider the Australian tax consequences for particular types of investors, including those:

- who hold their Shares or Options as assets used in carrying on a business or who may carry on the business of share trading, banking or investment; or
- whose Shares or Options are held as revenue assets or trading stock; or
- that may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- who are tax residents of any jurisdiction other than Australia (except where expressly stated).

(a) Status as a Listed Investment Company

As discussed in Section 3.10, on the basis of the current investment strategy, it is anticipated that the Company will generally be considered to hold its investments on revenue account. Consequently, it is likely that the Company will generally not make capital gains and therefore Shareholders will not be able to obtain taxation benefits under the LIC regime.

For this reason, it is recommended that investors do not make a decision to apply for Securities under this Prospectus solely on the basis of potential taxation benefits that may result from the Company being treated as a LIC.

However, the Company may hold certain investments on capital account and therefore may be able to pass through LIC taxation benefits to Shareholders that qualify for these concessions.

Where the Company qualifies as a LIC, certain types of Shareholders (noted below) may qualify for income tax concessions in respect of dividends. Specifically, this concession is available where the Company has made a capital gain on the disposal of a permitted investment that it has held for over 12 months (LIC capital gain).

(b) Income tax implications in relation to Shares

Taxation of dividends received by Shareholders

Dividends will be required to be included in an Australian resident Shareholder's assessable income in the income year in which the dividend is paid. As discussed in Section 3.10, where a component of a dividend is attributable to a LIC capital gain, Australian resident Shareholders that are:

- individuals, partnerships or trusts will be allowed a deduction equal to 50% of that component; or
- life insurance companies (where the dividend is in respect of Shares that are complying superannuation / FHSA assets) and complying superannuation funds will be allowed a deduction equal to 33 $\frac{1}{3}$ % of that component.

The ability of a beneficiary of a trust or a partner in a partnership to obtain the concession will depend on the nature of that particular beneficiary or partner.

Entitlement to franking tax offset

Australian resident Shareholders will be eligible for a tax offset in relation to franking credits attached to a dividend if they hold their Shares at risk for at least 45 days, not counting the day of acquisition or disposal (referred to as the holding period rule). The holding period rule generally only needs to be satisfied once and will apply during the period beginning on the day after the day on which the Shareholder acquires the Shares. This rule does not apply if the Shareholder is an individual whose total franking credits entitlement for the year of income in which the dividend is received is below A\$5,000.

Where the holding period rule is satisfied:

- Shareholders that are individuals or complying superannuation funds will be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Where these Shareholders have franking credits in excess of their income tax liability they may be entitled to a refund equal to the excess.
- Shareholders that are companies will also be entitled to a tax offset equal to the amount of the franking credits attached to a dividend. Accordingly, these Shareholders should not pay any additional tax on the dividend. A credit will arise in the franking account of these Shareholders equal to the amount of the franking credits attached to the dividend.

Where Shares are held by Australian resident trusts or partnerships, and the dividend is passed through to Australian resident beneficiaries or partners, the benefit of the franking credit attached to the dividend may also pass through to those Australian resident beneficiaries or partners. The income tax treatment of the dividends and any franking credits in the hands of those beneficiaries or partners will depend upon the tax status of the beneficiaries or partners.

Shareholders that satisfy (or are exempt from) the holding period rule must also include the attached franking credit in their assessable income in the income year in which dividend is paid.

Taxation of disposals of Shares

The disposal of Shares will give rise to a Capital Gains Tax (CGT) event for Shareholders. Shareholders will:

- make a capital gain if the capital proceeds received on the disposal of their Shares are greater than the cost base of those Shares; or
- make a capital loss if the capital proceeds received on the disposal of their Shares are less than the reduced cost base of those Shares.

The capital proceeds for the Shares will generally be equal to the money received on disposal.

Broadly, the cost base of Shares subscribed for under the Offer will be equal to the Application Amount plus any non deductible incidental and holding costs. The reduced cost base will be the same as the cost base, subject to some modifications. Payments made by retail Applicants under the Broker Firm Offer will have a cost base and reduced cost base as described above (whether or not they provide consent to and authorisation of the payment of the applicable Service Fee to their Broker).

In order to benefit from the CGT discount that may be available to individuals, trusts and complying superannuation funds in respect of a disposal of Shares, the Shares must have been held for at least 12 months before disposal.

For Shareholders that are individuals or trusts (other than complying superannuation funds), the CGT discount is 50%. For Shareholders that are complying superannuation funds, the discount is 33¹/₃%.

Taxation of a return of capital

If a return of capital is made by the Company, the cost base and reduced cost base of a Shareholder's Shares for CGT purposes will be reduced by the amount of the return of capital, with any excess over the cost base resulting in a capital gain. The amount returned may also include a dividend component, which will be subject to tax as set out above.

(c) Income tax implications in relation Options

Issue of Options

The issue of Options under the Offer should not result in any amount being included in the assessable income of an investor.

Exercise of Options

Optionholders who exercise their Options and are issued with Shares will acquire those Shares with a cost base for CGT purposes equal to the Exercise Price plus any non-deductible incidental costs they incur in acquiring the Shares. Optionholders will not make any capital gain or loss, or derive assessable income, from exercising the Options.

Sale or transfer of Options

The sale or transfer of Options will give rise to a CGT event on the date of sale or transfer. As the Optionholders will provide no consideration for their Options, an Optionholder's cost base in the Options will be limited to non-deductible incidental and holding costs. An Optionholders reduced cost base will be limited to non-deductible incidental costs.

An Optionholder will:

- make a capital gain if the capital proceeds received (or deemed to be received) on the sale or transfer of their Options are greater than the cost base of those Options; or
- make a capital loss if the capital proceeds received (or deemed to be received) on the disposal of their Options are less than the reduced cost base of those Options.

Where the Options have been held for at least 12 months before their sale or transfer, Optionholders that are individuals, trusts or complying superannuation funds may be entitled to the benefit of the CGT discount.

Lapse of Options

On the basis that no proceeds will be received by Optionholders who allow their Options to lapse, Optionholders will not make a capital gain on the lapse of an Option. If an Optionholder has a reduced cost base in the Options greater than nil, a capital loss will arise.

(d) Goods and Services Tax

No Australian goods and services tax (GST) is payable in respect of the acquisition of Shares or the issue or exercise of Options, nor will there be any GST liability arising from the receipt of dividends in respect of the Shares. Applicants may be charged GST on third party brokerage or adviser costs in respect of the acquisition of Shares or the issue or exercise of the Options, depending on their individual circumstances.

(e) Stamp Duty

No Australian stamp duty will be payable in respect of the acquisition of the Shares and the Options under this Prospectus.

9.2 Summary of New Zealand Taxation

General

The following summary relates only to New Zealand tax, applies to prospective investors who are New Zealand tax resident, and who hold their Shares and Options on capital account. The statements are based on the law in effect at the date of this Prospectus. This summary is of a general nature and should not be relied upon by prospective investors as taxation advice. The statements below are not intended to deal with all relevant considerations or possible circumstances, and the individual circumstances of each New Zealand investor may affect the taxation outcomes. Prospective New Zealand investors should seek their own taxation advice in relation to their own taxation position prior to investing in the Company.

This summary does not consider the New Zealand tax consequences for particular types of investors including those:

- who hold their Shares and Options for the purpose of resale, or as part of a profit-making undertaking or scheme, or as part of a business, or as trading stock;
- who may be subject to specialist tax regimes – such as portfolio investment entities, life insurance companies, tax exempt organisations, superannuation funds, temporary New Zealand residents;
- who are tax resident otherwise than solely in New Zealand; or
- who are:
 - employees of the Company;
 - associates of employees of the Company, or
 - employees of an associate of the Company.

This summary also assumes that the Company will not be a controlled foreign company for New Zealand taxation purposes i.e. that (i) no single New Zealand investor will hold a control interest in the Company of 40% or more, and (ii) a group of five or fewer New Zealand investors will not hold control interests of 50% or more in the Company, and (iii) a group of five or fewer New Zealand investors will not be able to exercise shareholder decision-making rights in the Company. Based on that assumption, the controlled foreign company regime has not been considered further.

Income tax implications in relation to Shares and Options

New Zealand foreign investment fund (FIF) rules and the Shares and Options

New Zealand investors will need to consider whether the Shares and Options are attributing interests in a FIF and give rise to FIF income for New Zealand tax purposes.

It should be noted that in the case of the Options, until they are exercised and Shares are issued, they should not in and of themselves be an attributing interest in a FIF because they should not meet the definition of being an income interest as defined in the FIF rules. Under the FIF rules, unless an exemption is applicable, the Shares are likely to be an attributing interest in a FIF.

There is an exemption from the FIF rules for Australian resident companies which are not treated as resident in any other jurisdiction (including under a double tax agreement), which are required to maintain a franking account for Australian tax purposes, and which have shares included in an approved index under the ASX Operating Rules. For the Shares to fall within that exemption, the listing of Shares in the Company is required when the New Zealand investor acquires the Shares (if the Shares are acquired during an income year), or at the beginning of an income year (for New Zealand tax purposes that is a 1 April to 31 March year, unless the New Zealand Commissioner of Inland Revenue has approved an alternate year). This exemption may apply to the Shares in the Company, and the Shares may not be an attributing interest in a FIF.

An alternative exemption from the FIF rules may be applicable for particular New Zealand investors who hold a 10% or greater income interest in the Company (which is solely Australian tax resident). This summary assumes that New Zealand investors are likely to hold income interests of less than 10%, and that particular exemption has not been considered further. A further exemption applies to New Zealand investors who are natural persons or certain kinds of trusts if their total FIF interests have a total cost of less than NZ\$50,000, unless the New Zealand investors in that category specifically elect for the FIF rules to apply.

If no exemptions from the FIF rules are applicable and the Shares are an attributing interest in a FIF, New Zealand investors should be liable for New Zealand income tax on attributed income calculated under a method set out in the FIF rules. If the FIF rules are applicable, New Zealand investors should seek specific advice about the applicable method to apply. In general terms, the fair dividend rate (FDR) method is the primary method applicable to income interests of less than 10%. Under the FDR method, the FIF income would be 5% x the opening market value of the Shares (adjusted for any interests bought and sold during the income year). If the FIF rules are applicable, dividends are not taxed separately. This is further outlined below.

Taxation of dividends from the Company on the Shares

If the FIF rules mentioned above are applicable, dividends derived by that New Zealand investor on the Shares should not be subject to New Zealand tax.

If the FIF rules are not applicable (due, for example, to an exemption from the FIF rules being applicable), New Zealand investors should be liable for New Zealand tax at their applicable marginal tax rate on dividends from the Company. It should be noted that dividends may also arise for New Zealand tax purposes if the Shares are redeemed or repurchased by the Company, and also, in some cases, if there is a return of capital by the Company (tax advice should be sought in those circumstances). If the New Zealand investor is a New Zealand company, it is unlikely that the exemption for New Zealand tax for dividends from foreign companies should be applicable, if the exclusion from the FIF rules is due to one of the FIF exemptions outlined above.

Where Australian withholding tax has been deducted from a dividend distribution received by a New Zealand investor, a New Zealand tax credit should be available up to the amount of the New Zealand tax applicable to the dividend.

It should be noted that New Zealand investors are not able to utilise any Australian franking credits attached to dividend distributions against their New Zealand income tax liability on the dividend distributions. Those Australian franking credits are also not required to be included in New Zealand investors' assessable income for New Zealand tax purposes.

In respect of the Options, until they are exercised and Shares are issued, Optionholders will not derive distributions in respect of the Options.

Disposal of the Shares or disposal of the Options

Assuming the FIF rules do not apply, New Zealand income tax should not arise to a New Zealand investor on any profits from the disposal of the Shares or Options, assuming the New Zealand investor has not acquired the Shares or Options for the purpose of disposal, as part of a profit-making undertaking or scheme or as part of a business (for example a dealing business). Also on the basis of that latter assumption, payments made by retail Applicants under the Broker Firm Offer will not have a tax cost base implication for New Zealand tax purposes (whether or not they provide consent to and authorisation of the payment of the applicable Service Fee to their Broker).

If the FIF rules apply, depending on the calculation method adopted under those rules, adjustments to the calculation of income attributable under the FIF rules can arise to reflect the disposal of Shares during the income year.

Issue and exercise of the Options

The issue and exercise of the Options should not lead to a New Zealand tax consequence for New Zealand investors. The Options are options to acquire Shares, and should be excluded from New Zealand's financial arrangements rules as a consequence.

Foreign currency gains and losses

The issue of the Shares and the exercise of the Options in Australian dollars should not lead to New Zealand tax consequences for New Zealand investors, as any gains or losses attributable to the difference between New Zealand dollars and Australian dollars are attributable to the Shares and Options - specifically excluded from New Zealand's financial arrangements rules.

Goods and services tax and stamp duty

No New Zealand goods and services tax will be applicable to any dividends from the Company, any disposal of the Shares or Options, the initial subscription for the Shares or the Options nor to the exercise of the Options. In addition, there is no stamp duty regime in New Zealand.

10. Material Contracts

The Directors consider that certain agreements are material to the Company or are of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for the Shares and Options (Material Agreements).

The provisions of the Material Agreements are summarised below. As this Section 10 only contains a summary, the provisions of each agreement are not fully described. To understand fully all rights and obligations pertaining to the Material Agreements, it would be necessary to read them in full.

10.1 Management Agreement

The Company and the Manager have entered into the Management Agreement whereby, subject to the provisions set out below, the Company has exclusively appointed the Manager to invest and manage all of the assets of the Company (including any controlled entity of the Company) from time to time, for and on behalf of the Company, for an initial term of 5 years commencing on the date on which the Securities first commence trading on ASX on a deferred or normal settlement basis.

The Management Agreement has no effect unless on or before 30 June 2014 (or another date as agreed between the parties) the Securities commence trading on ASX on a deferred or normal settlement basis.

At any time after the date on which the Securities first commence trading on ASX, the Manager may request that the Company call and arrange to hold a meeting of Shareholders to consider and, if appropriate, approve a resolution renewing the term of the Management Agreement for a further period of 5 years, with such 5 year period to commence on the date of the resolution (Renewal Resolution). If the Renewal Resolution is approved by the Shareholders, the term of the Management Agreement will be automatically renewed such that the Management Agreement will continue until the date that is 5 years after the date of the relevant approved Renewal Resolution. Once a Renewal Resolution has been passed the Manager is not entitled to any further renewal of the term.

After the end of the 'Term' (defined in the Management Agreement as the initial 5 year term or any renewed term), the Management Agreement will continue until terminated in accordance with the Management Agreement.

Duties

Under the Management Agreement, the Manager must (amongst other things):

- keep proper books of account in relation to the Investment Portfolio, recording transactions by the Manager and provide information in relation to the Investment Portfolio to assist the Company (amongst other entities) in the preparation of reports required under any 'Relevant Law' (as defined in the Management Agreement);
- exercise reasonable due diligence and vigilance in carrying out its functions, powers and duties under the Management Agreement;
- account to the Company for any monetary benefits, fees or commissions received by the Manager or any related body corporate of the Manager (excluding the Company) in relation to the investment of the Investment Portfolio other than benefits

in the nature of soft dollar receipts and 'Fees' (as defined in the Management Agreement);

- act in good faith in determining any allocation of a 'Block-Booked Transaction' (as defined in the Management Agreement) to the Investment Portfolio before, during and after the transaction has been entered into by the Manager;
- determine whether the Company should issue Shares or Options for the purpose of making additional investments in 'Australian Microcap Companies' (as defined in the Management Agreement) and provide recommendations to the Company of the recommended size of the issue;
- assist the Board in determining the amount of or declaring any dividend or distribution (including a payment of a capital nature) to be paid by the Company;
- assist the Company to manage its relations with holders of Securities and the public;
- assist the Company to comply with its continuous disclosure obligations under Section 674 of the Corporations Act and ASX Listing Rule 3.1 by providing information in relation to the performance of the 'Services' (as defined in the Management Agreement) by the Manager and preparing drafts of ASX announcements for approval by the Board;
- value or procure the valuation of the Investment Portfolio at least once per month during the Term; and
- to the extent not expressly provided for above, make written recommendations (together with reasonable supporting information and analysis) to the Board in respect of any matter which requires the approval of the Board. Although for the avoidance of doubt, the Board is under no obligation to act on any recommendation of the Manager in respect of a matter which requires Board approval.

Investment Guidelines

The Management Agreement sets out the investment instructions that must be complied with by the Manager in making any investment decision. The investment instructions may be amended from time to time by agreement in writing between the Company and the Manager.

The Management Agreement also sets out the investment objectives. Although not legally binding on the Manager, the Manager must have regard to the investment objectives in investing and managing the Investment Portfolio.

The Manager is appointed to develop and manage a portfolio of investments in Microcap Companies which is, on average and after the period ending 18 months after the 'Listing Date' (as defined in the Management Agreement), at least 90% invested in Microcap Companies.

In summary, the investment objective is to provide the Company with exposure to listed and unlisted securities of Australian Microcap Companies.

The Management Agreement defines the term 'Australian Microcap Company' to mean 'a trust, managed investment scheme, body corporate or other entity where the value of all equity interests in the entity is less than the market capitalisation of the entity listed on ASX which has the 250th highest market capitalisation of all entities listed on ASX.'

Relevantly, the investment instructions:

- require the Manager to develop and manage a portfolio of investments in Australian Microcap Companies;
- permit the Manager to invest in equity or equity linked securities of 'Australian Microcap Companies' which are:
 - Australian incorporated or listed on ASX; or
 - which the Manager determines have an Australian Nexus;
- permit the Manager to invest in one or more unlisted Australian Microcap Companies if and only if the Manager is reasonably satisfied that certain requirements are satisfied in relation to each Australian Microcap Company in which the investment is proposed to be made;
- prohibit the Manager from entering into 'Derivative Contracts' (as defined in the Management Agreement);
- prohibit the Manager from leveraging the Investment Portfolio;
- prohibit the Manager from creating or allow to persist any short position (including any covered short position) in the Investment Portfolio; and
- require the disposal of securities of a company which has become a 'Large Company' (as defined in the Management Agreement) within such period as set out in the policy adopted by the Board.

Powers of the Manager

Subject to the investment instructions of the Company and any express restrictions set out in the Management Agreement, the Manager has the powers of a natural person to deal with the Investment Portfolio and to do all things and execute all documents necessary for the purpose of managing the Investment Portfolio. However, the Manager must not knowingly do anything which the Manager is prohibited from doing by a 'Relevant Law' (as defined in the Management Agreement) and must not without the prior written consent of the Company:

- delegate any of its discretionary management powers under the Management Agreement, except to a related body corporate of the Manager;
- 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 Investment Portfolio;
- engage in securities lending in relation to the Investment Portfolio; or
- borrow any money or incur any other liability by way of financial accommodation.

For the purposes of carrying out its functions under the Management Agreement, the Manager may (subject to the Manager using reasonable care and diligence), appoint any broker to act in relation to the Investment Portfolio on behalf of the Company (subject to reasonable monitoring of capacity and performance of the broker by the Manager).

Subject to any 'Relevant Law' (as defined in the Management Agreement), the Manager may invest all or part of the Investment Portfolio with funds the Manager manages on behalf of other persons.

Non-exclusivity

The Manager is permitted to perform similar investment and management services to the services performed for the Company for itself and other persons.

Fees

Management Fee

The Company must pay the Manager a Management Fee of 0.95% (plus GST) of the 'Asset Value' (as defined in the Management Agreement) of the Investment Portfolio from time to time, which is calculated and accrued each month and paid semi-annually in arrears.

Performance Fee

In addition, at the end of each year ending 30 June, the Manager will be entitled to receive a performance fee payment (Performance Fee Payment) from the Company.

The Performance Fee, which can be positive or negative, will accrue for each month in a Financial Year into an account (Performance Fee Account). At the end of the relevant Financial Year, a portion of the aggregate balance is payable at that time when certain tests are satisfied (refer below for details). Any cash payments on account of the Performance Fee will be made when there is a Performance Fee Payment due (which is subject to additional tests) and the 'Performance Fee Account' (as defined in the Management Agreement) balance will be reduced by that amount. Any balance will carry forward to the following periods.

In summary, the Manager will be entitled to receive a Performance Fee from the Company equal to 20% (plus GST) of the Investment Portfolio's outperformance of the S&P/ASX Small Ordinaries Accumulation Index subject to satisfaction of various tests. The full terms of the Performance Fee are outlined below (all terms used here are as defined in the Management Agreement).

The Performance Fee is calculated using the following formula:

$P = 20\% \times (A - B) \times \text{Portfolio NAV at the end of the last day of the relevant month where:}$

P is the Performance Fee for the relevant month;

A is the Investment Return of the Portfolio for the relevant month; and

B is the Benchmark Return for the relevant month.

The Performance Fee accrues into the Performance Fee Account as follows:

- If the Performance Fee for each month is positive, it is added to the balance of the Performance Fee Account. If the Performance Fee is negative it is subtracted from the balance of the Performance Fee Account. Hence, the balance in the Performance Fee Account can be either positive or negative.
- If the Performance Fee Account balance is negative the Manager is not liable for payment.
- The balance of the Performance Fee Account will accrue a rate of interest equal to the RBA Cash Rate as at the end of the last day of the relevant month. The accrued interest will form part of the balance of the Performance Fee Account for future periods.

The tests at the end of each relevant Financial Year for Performance Fee Payment are:

- The annual change in the Performance Fee Account balance from the prior Financial Year is positive;
- The Cumulative Performance Fee at the end of the relevant Financial Year is greater than the Cumulative Performance Fee at the end of any previous Financial Year (the High Watermark); and
- The Cumulative Performance Fee is greater than zero.

Where all tests are satisfied, the Manager is entitled to a Performance Fee Payment, which is equal to the portion of the Performance Fee Account in excess of the Minimum Performance Fee Account Balance (as defined in the Management Agreement, and set out below).

As detailed in the Management Agreement, the following definitions are relevant for the purposes of the Performance Fee:

Minimum Performance Fee Account Balance means:

- For the Financial Years ending 2014, 2015 and 2016 the Performance Fee Account Balance is the greater of:
 - 50% of the Cumulative Performance Fee; or
 - 50bp of Portfolio NAV;
- For the Financial Years ending 2017, 2018 and 2019 the Minimum Performance Fee Account Balance is the greater of:
 - 35% of the cumulative Performance Fee contributions; or
 - 50bp of Portfolio NAV
- For the Financial Years ending after 2019 the Minimum Performance Fee Account Balance is 50bp of Portfolio NAV.

Investment Return means the percentage by which the Portfolio NAV at the end of the last day of the relevant month exceeds or is less than the Portfolio NAV at the end of the last day of the month immediately prior to the relevant month, excluding any additions to or reductions in equity in the Company during the relevant month including dividend reinvestments, new issues, the exercise of share options, share buy-backs, payment of dividends and the payment of tax.

Cumulative Performance Fee means the historical aggregate of all monthly Performance Fees accrued from inception of the Company but not paid.

Benchmark Return means, in respect of the relevant month, the percentage by which the S&P/ASX Small Ordinaries Accumulation Index increases or decreases over the course of the relevant month.

Portfolio NAV means the Portfolio Market Value reduced by any accrued but unpaid operating expenses of the Company except for Performance Fee accruals and provisions for tax.

Portfolio Market Value means the market value of the assets of the Investment Portfolio, calculated in accordance with Accounting Standards.

Financial Year means the period from 1 July in one year until 30 June in the following year except that the first financial year is from the Listing Date until the following 30 June, and the final financial year is from the 1 July immediately preceding the date of termination of this agreement until that date of termination.

RBA Cash Rate means the Reserve Bank of Australia measure of the target cash rate from time to time.

Expenses

The Company must pay or cause to be paid all taxes, costs, charges and expenses properly incurred by the Manager in connection with the investment and management of the Investment Portfolio or the acquisition, disposal or maintenance of any investment of the Investment Portfolio (including all 'Custodian', 'Clearing House' (as defined in the Management Agreement) and brokerage fees and excluding taxes incurred by the Manager in respect of the income of the Manager and also excluding in-house administration costs of the Manager) or in acting under the Management Agreement.

The Manager may allocate costs, charges and expenses incurred in connection with an asset acquired or to be acquired or disposed of on behalf of several persons between those persons proportionately to their respective interests in the relevant asset.

Termination

The Manager may terminate the Management Agreement by not less than 3 months written notice to the Company. However, any such termination cannot take effect on a date earlier than the end of the 'Term' (as defined in the Management Agreement).

Where:

- the Company believes on reasonable grounds that termination of the Management Agreement and the Manager's role as manager of the Investment Portfolio is necessary for the purposes of the Board complying with its duty to act in the best interests of Shareholders; or
- Shareholders in general meeting pass a resolution approving termination where the Manager has had a reasonable opportunity to state its case in the materials sent to Shareholders prior to the meeting and in person at the meeting,

The Company may terminate the Management Agreement by not less than 3 months written notice to the Manager. However, in these circumstances, any termination of the Management Agreement by the Company cannot take effect on a date earlier than the end of the 'Term' (as defined in the Management Agreement).

In addition to the above termination rights, the Company and the Manager may terminate the Management Agreement at any time by written notice, where the other party defaults under the Management Agreement (and the default is not remedied in the case of the Manager, within 20 business days of receiving notice, and in the case of the Company, within 10 business days of receiving notice) or certain prescribed events occur.

Following termination of the Management Agreement, the Manager may deal with the Investment Portfolio for up to 30 business days from the effective date of termination of the Management Agreement in order to vest control of the Investment Portfolio in the Company.

Company Indemnity

The Company indemnifies the Manager against any direct loss or liability reasonably incurred by the Manager arising out of, or in connection with, and any direct costs, charges and expenses incurred in connection with, the Manager or any of its officers or agents properly acting under the Management Agreement or on account of any bona fide investment decision made by the Manager or its officers or agents except insofar as any loss, liability, cost, charge or expense is caused by the negligence, fraud or dishonesty of the Manager or its officers or 'Supervised Agents' (as defined in the Management Agreement). This obligation continues after the termination of the Management Agreement. The indemnity given by the Company to the Manager does not extend to any 'Consequential Loss' (as defined in the Management Agreement) and the Company is not otherwise liable to the Manager under the Management Agreement for any other loss or liability.

Manager Indemnity

The Manager indemnifies the Company against any direct loss or liability reasonably incurred by the Company arising out of, or in connection with, and any direct costs, charges and expenses reasonably incurred by the Company in connection with:

- any negligence, fraud or dishonesty of the Manager or its officers or 'Supervised Agents' (as defined in the Management Agreement); and
- any negligent, fraudulent or dishonest act or omission of the Manager, its officers, employees, or 'Supervised Agents' (as defined in the Management Agreement).

This obligation continues after the termination of the Management Agreement. The indemnity given by the Manager to the Company does not extend to any 'Consequential Loss' (as defined in the Management Agreement) and the Company is not otherwise liable to the Manager under the Management Agreement for any other loss or liability.

Assignment

Neither the Company nor the Manager may assign any of its rights and obligations under the Management Agreement without the prior written consent of the other party except to a related body corporate of the party upon 5 business days written notice to the other party and subject to the related body corporate agreeing to be bound by the Management Agreement.

10.2 Offer Management Agreement

Overview

The Company, the Manager and the Joint Lead Managers entered into an offer management agreement on 11 March 2014 (Offer Management Agreement). Under the Offer Management Agreement, the Company appointed:

- Baillieu Holst Ltd, Morgans Financial Limited, T.C. Corporate Pty Ltd and Bell Potter Securities Limited as the Joint Lead Managers to the Offer; and
- Baillieu Holst Ltd as the Authorised Intermediary (further details regarding the appointment of the Authorised Intermediary under the Offer Management Agreement are set out in Section 10.2).

The Joint Lead Managers have agreed under the Offer Management Agreement to arrange and lead manage, and act as bookrunners for, the Offer. The Manager has agreed to support the Company in the performance of particular specified obligations under the terms and conditions of the Offer Management Agreement.

Fees and expenses

Subject to the Minimum Subscription being achieved, the Company must pay the Joint Lead Managers, (in equal proportions) a management fee of 1% (exclusive of GST) of the 'Offer Proceeds' (as defined in the Offer Management Agreement).

The Company will also:

- pay or reimburse the Joint Lead Managers for all reasonable expenses incurred by the Joint Lead Managers in connection with the Offer Management Agreement, this Prospectus and the Offer, including reasonable legal fees of the Joint Lead Managers' and marketing, travel, postage, printing and accommodation expenses and other costs, fees, commissions, disbursements, charges, taxes or duties; and
- pay all costs and expenses payable in relation to completion of the Offer including any fees or charges payable by the Joint Lead Managers to ASX or ASX Settlement,

As soon as reasonably practicable and in any case within 5 days, after a request for payment or reimbursement by the Company is made by the Joint Lead Managers or on termination of the Offer Management Agreement.

Each Joint Lead Manager is solely responsible for paying any fees (if any) payable to co-managers or brokers appointed by it in relation to the Offer. Where more than one Joint Lead Manager appoints a co-manager or broker, those Joint Lead Managers must pay any fees payable to the co-manager or broker in such proportions as those Joint Lead Managers may agree or failing agreement, equally. The Company is not responsible in any way or in any circumstances for the payment of any fees payable to any co-managers or brokers appointed by one or more of the Joint Lead Managers in relation to the Offer.

Representations and warranties

Customary and usual representations and warranties are given by the parties in relation to matters such as the power to enter into the Offer Management Agreement, corporate authority and approvals and the Company's compliance with the Corporations Act and ASX Listing Rules in relation to making the Offer. The Company gives a number of further representations and warranties, including that the Prospectus will not contain any untrue, inaccurate, misleading or deceptive statements and will not omit information necessary in order to make the statements therein not misleading.

Except as disclosed in the Prospectus, the Company must not:

- without the prior written consent of the Joint Lead Managers, at any time after 11 March 2014 and before the expiration of 120 days after the 'Settlement Date' (as defined in the Offer Management Agreement) issue or agree to issue or indicate in any way that it may or will issue or agree to issue any Shares, Options, or other interests or securities in the Company, other than pursuant to the Offer, the Offer Management Agreement, or as a result of the exercise of options currently on issue; and
- in any way reduce, reorganise, or otherwise alter the Company's capital structure, or agree or announce an intention to do any of those things, without the prior written consent of the Joint Lead Managers at any time after 11 March 2014 and before the expiration of 120 days after the Securities are issued pursuant to the Offer, provided that this prohibition will not apply if the alteration of the Company's capital structure arises from a takeover bid or merger proposal which has been approved by the Directors acting in accordance with their fiduciary duties.

Termination Events

Termination events not subject to materiality

Each Joint Lead Manager may terminate the Offer Management Agreement prior to the issue of the Securities under the Offer, without cost or liability to that Joint Lead Manager, by giving a written notice of termination to the Company if any of the following occurs:

- the Securities have not been issued in accordance with the Prospectus on or before 30 September 2014;
- the S&P/ASX 200 Index at any time falls to a level which is 90% or less than the level at the close of trading on the date the Offer Management Agreement was entered into between the parties and remains below that level for a period of 3 consecutive Business Days;
- any of the following occurs: a material adverse change or effect, or any development involving a prospective material adverse change or effect in, or affecting:
 - the general affairs, business operations, assets, liabilities, financial position or performance, profits, losses, Prospectus, earnings position, shareholders equity or results of operations of the Company and each 'Related Body Corporate' (as defined in the Offer Management Agreement) of the Company or otherwise (taken as a whole); or

- liability for the Joint Lead Managers under the Corporations Act or any other law or regulation;
- the Company withdraws the Prospectus, any supplementary prospectus or the Offer;
- the Company changes the material terms of the Offer as set out in the Prospectus (or any supplementary prospectus) except with the prior written consent of the Joint Lead Managers;
- the Minimum Subscription is not achieved by 5.00pm AEST on the Closing Date;
- ASX makes an official statement to any person, or indicates to the Company or the Joint Lead Managers that:
 - the Company will not be admitted to the Official List;
 - the decisions by ASX to:
 - admit the Company to the Official List ; and
 - grant quotation (as that expression is used in the Listing Rules) on ASX of all of the Securities,(collectively, ASX Approval) will not be given; or
 - ASX Approval will be given but that the Company will not be admitted to the Official List or the Shares will not be quoted by ASX before 30 September 2014;
- ASX Approval (subject only to customary listing and quotation conditions imposed by ASX) has not been given before the date specified in the Offer Management Agreement as the settlement date;
- the Company or a 'Related Body Corporate' of the Company (as defined in the Offer Management Agreement):
 - disposes, or agrees to dispose of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus; or
 - ceases or threatens to cease to carry on business,in either case without the prior consent of the Joint Lead Managers;
- any of the following occur:
 - there is a material omission from the Prospectus or any other document issued or published by the Company, or on behalf of the Company with its written consent, in respect of the Offer, and any marketing presentation used by the Company to conduct the marketing of the Offer (Disclosure Document), of information required by the Corporations Act or any other applicable law or requirement;
 - the Prospectus or any other Disclosure Document contains a misleading or deceptive statement;
 - a statement in the Prospectus or any other Disclosure Document becomes misleading or deceptive in any material respect;
 - a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus; or
 - a Disclosure Document does not comply with, in any material respect, an applicable law.

- The Due Diligence Report (as defined in the Offer Management Agreement) or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to Shares, the Securities, the Company, or the Offer, is untrue, incorrect, misleading or deceptive in a material respect;
 - ASIC issues or threatens to issue proceedings in relation to the Offer or commences, or threatens to commence any inquiry or investigation in relation to the Offer or any subscription of shares in the Company.
 - any of the following occur:
 - ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - a person (other than a Joint Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - ASIC gives notice of intention to hold a hearing in relation to the Prospectus, or makes an interim order, under section 739 of the Corporations Act;
 - any person (other than a Joint Lead Manager) gives a notice under section 733(3) of the Corporations Act;
 - any person (other than a Joint Lead Manager) who consented to the inclusion of a statement in, or to being named in, the Prospectus (or any supplementary prospectus) withdraws that consent; or
 - an application is made by ASIC for an order under Part 9.5 in relation to the Prospectus or ASIC commences any investigation or hearing under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Prospectus;
 - the Joint Lead Managers reasonably form the view that a supplementary or replacement document must be lodged with ASIC under section 719 of the Corporations Act and the Company does not lodge a supplementary or replacement prospectus in the form, with the content and within the time reasonably required by the Joint Lead Managers;
 - the Authorised Intermediary terminates the Offer Management Agreement, and the Company is not able to appoint a duly qualified and authorised replacement entity to conduct the 'Activities' (as defined in the Offer Management Agreement) before that termination takes effect; or
 - an 'Insolvency Event' (as defined in the Offer Management Agreement) occurs with respect to the Company or a 'Related Body Corporate' of the Company (as defined in the Offer Management Agreement).
- Termination events subject to materiality**
- If a Joint Lead Manager determines reasonably and in good faith that the event (detailed below):
- has or would have a 'Material Adverse Effect' (as defined in the Offer Management Agreement); or
 - could create a liability for the Joint Lead Manager under the Corporations Act or any other law or regulation, then each Joint Lead Manager may terminate the Offer Management Agreement prior to the issue of the Securities under the Offer, without cost or liability to that Joint Lead Manager, by giving a written notice of termination to the Company if any of the following occurs:
 - there is a material breach by the Company or the Manager of the Offer Management Agreement;
 - there is introduced, or there is a public announcement of a proposal to introduce into any legislature of Australia, a law or regulation, or a new government policy is adopted by a government in any of those jurisdictions or there is a public announcement of a proposal to adopt a new government policy by such a government (other than a law or government policy announced before the date the Offer Management Agreement was entered into between the parties) any of which does or is likely to prohibit the Offer, capital issues or the taxation treatment of the Securities or regulate or affect the Offer, capital issues or taxation treatment of the Securities in a material adverse fashion;
 - any adverse change or disruption occurs in the existing financial markets, political or economic conditions of Australia, New Zealand, the United Kingdom, the United States of America, Hong Kong, Ukraine or Russia;
 - any information supplied by or on behalf of the Company to the Joint Lead Managers (including information provided during the 'Due Diligence Investigations' (as defined in the Offer Management Agreement) and information which becomes available as a result of a new circumstance arising after the date of the Offer Management Agreement) in relation to the Company or the Offer is or becomes false, misleading or deceptive, including by way of omission;
 - a general moratorium on commercial banking activities in Australia, New Zealand, the United Kingdom, the United States of America, Hong Kong, Ukraine or Russia is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange or the Moscow Stock Exchange is suspended or limited in a material respect for at least one trading day;
 - a material contract or an agreement referred to in the Prospectus is, without the prior written consent of the Joint Lead Managers:
 - breached by the Company or a 'Related Body Corporate' of the Company (as defined in the Offer Management Agreement); or
 - terminated (whether by breach or otherwise);
 - the Company is in default of any of the material terms or conditions of the Offer Management Agreement or breaches any warranty, undertaking or covenant given or made by it under the Offer Management Agreement and that default or breach is either incapable of remedy or is not remedied within 5 business days after it occurs;
 - other than as disclosed in the Prospectus, the Company or a 'Related Body Corporate' of the Company (as defined in the Offer Management Agreement) charges or agrees to charge, the whole, or a substantial part of its business or property;

- Any of the following occur:
 - a Director or member of the executive team of the Company (as listed in the Prospectus) is charged with an indictable offence;
 - any governmental agency commences any public action against the Company or any of its Directors or senior managers in their capacity as a Director or senior manager of the Company;
 - any Director or senior manager of the Company is disqualified from managing a corporation under any law of any jurisdiction; or
 - the Company or a Director or senior manager of the Company engages in any fraudulent conduct or activity; or
- there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following:
 - Australia;
 - New Zealand;
 - the United Kingdom;
 - the United States of America;
 - Hong Kong;
 - Ukraine; or
 - Russia;

or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.

Indemnity

Subject to certain exclusions relating to, among other things, fraud, recklessness, wilful misconduct or gross negligence, or a material breach of the Offer Management Agreement by the indemnified parties (to the extent not caused, induced or contributed to by the Company or its officers or employees or caused by a reliance on information in the Prospectus or information provided by or on behalf of the Company), the Company indemnifies the Joint Lead Managers and certain affiliated parties against certain liabilities and losses incurred or sustained directly or indirectly as a result of the appointment of the Joint Lead Managers pursuant to the Offer Management Agreement.

Guarantee

The Manager unconditionally and irrevocably guarantees to the Joint Lead Managers and certain affiliated parties the due and punctual performance and observance by the Company of certain specific payment obligations under the Offer Management Agreement. To the extent that the Company fails to perform or observe these obligations under, or pursuant to, the Offer Management Agreement, the Manager undertakes that it will perform or procure performance or observance of the relevant obligations promptly on request by the Joint Lead Managers.

The Manager agrees to pay or reimburse each Joint Lead Manager on demand for:

- its costs in making, enforcing and doing anything in connection with this guarantee including, but not limited to, legal costs and expenses on a full indemnity basis; and

- all stamp duties, fees, taxes and charges which are payable in connection with this guarantee or a payment, receipt or other transaction contemplated by it.

10.3 Authorised Intermediary

The Offer Management Agreement also includes provisions governing Baillieu Holst Ltd's role as the Authorised Intermediary. The Company has appointed and authorised the Authorised Intermediary to undertake all or any of the following activities (collectively, the Activities):

- make offers in accordance with the Prospectus to arrange for the issue of the Securities by the Company; and
- arrange the issue of the Securities by the Company to Applicants who lodge a 'Valid Application' (as defined in the Offer Management Agreement).

The Company, the Joint Lead Managers and the Authorised Intermediary acknowledge and agree that (amongst other things):

- the Authorised Intermediary is the holder of an Australian Financial Service Licence (245421) under which the Authorised Intermediary is authorised to provide certain financial services, including dealing in a financial product by issuing securities to investors; and providing financial product to investors advice in relation to securities;
- the Authorised Intermediary provides financial services in its own right and not as agent for the Company;
- the Company has not obtained an AFSL and will rely upon the statutory exemption under section 911A(2)(b) of the Corporations Act from the licensing requirement in respect of the Activities;
- the Authorised Intermediary will ensure that the requirements of the Corporations Act are complied with so that the Company is entitled to rely on the exemption from licensing requirements under the Corporations Act in respect of the Activities; and
- the Authorised Intermediary may perform the Activities through any of its authorised representatives who are able to provide financial services on the Authorised Intermediary's behalf in accordance with requirements of all applicable laws (including financial services laws), provided doing so will not result in the Company requiring an AFSL, or cause the Company to breach the Corporations Act.

The Company will pay Baillieu Holst Ltd a fee of \$1 (excluding GST) in respect of its services as the Authorised Intermediary.

Subject to the satisfaction of certain conditions relating to consent, evidence and reasonableness, the Company will also reimburse the Authorised Intermediary for any expenses reasonably and properly incurred by the Intermediary in providing the relevant services.

11. Additional information

11.1 Incorporated

The Company was incorporated on 10 February 2014 and is registered in Victoria.

11.2 Balance date and company tax status

The financial statements of the Company will be made up to 30 June annually. The Company expects to be taxed as a LIC.

11.3 Rights and liabilities attaching to the Options

The rights and liabilities of the Options are as follows:

Register

The Company will maintain a register of holders of Options in accordance with Section 168(1)(b) of the Corporations Act.

Transfer/transmission

An Option may be transferred or transmitted in any manner approved by the ASX.

Exercise

An Option may be exercised by delivery to the Company of a duly completed Notice of Exercise of Options, signed by the registered holder of the Option, together with payment to the Company of \$1.00 per Option being exercised and the relevant option certificate.

An Option may be exercised from the date of issue to the date being 18 months from the date of issue of the Options, (which is currently anticipated to occur on or about 22 April 2014 (inclusive) but not thereafter. Options will be deemed to have been exercised on the last day of the month in which the Notice of Exercise of Options is lodged with the Company. A Notice of Exercise of Options is only effective when the Company has received the full amount of the exercise price in cash or cleared funds.

Dividend entitlement

Options do not carry any dividend entitlement until they are exercised. Shares issued on exercise of Options rank equally with other issued Shares of the company from their date of issue and are entitled to dividends paid on and from this date.

Participating rights

For determining entitlements to the issue, an Optionholder may only participate in new issues of securities to holders of applicable Shares in the Company if the Option has been exercised and Shares allotted in respect of the Option before the relevant record date.

The Company must give at least 6 business days' notice to Optionholders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

If between the date of issue and the date of exercise of an Option the Company makes one or more rights issues (being a pro rata issue of Shares in the Capital of the Company that is not a bonus issue) in accordance with the Listing Rules, the exercise price of Options on issue will be reduced in respect of each rights issue according to the following formula:

$$NE = OE - \frac{E[P-(S+D)]}{(N+1)}$$

where:

- NE is the new exercise price of the Option;
- OE is the old exercise price of the Option;
- E is the number of underlying Shares into which one Option is exercisable;
- P is the average closing sale price per Share (weighted by reference to volume) during the 5 trading days ending on the day before the ex-rights date or ex entitlements date (excluding special crossings and overnight sales);
- S is the subscription price for a Share under the rights issue;
- D is the dividend due but not yet paid on each Share at the relevant time; and
- N is the number of Shares that must be held to entitle holders to receive a new Share in the rights issue.

If there is a bonus to the holders of Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option has been exercised before the record date for the bonus issue.

Reconstructions and alteration of capital

Any adjustment to the number of outstanding Options and the exercise price under a reorganisation of the company's share capital must be made in accordance with the Listing Rules at the time of the reorganisation.

ASX Listing

The Company must make application for quotation of Shares issued on exercise of the Options on the ASX in accordance with the Listing Rules. Shares so issued will rank equally with other issued Shares of the Company.

Terms and conditions

For the terms and conditions of the Options, refer to the Appendix for full details.

11.4 Rights and liabilities attaching to Shares

The rights and liabilities attaching to the ownership of the Shares arise from a combination of the Constitution, statute, the Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each Share held.

Meetings of members

Each Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the Listing Rules.

Dividends

The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment. For further information in respect of the Company's proposed dividend policy, see Section 3.9.

Transfer of Shares

Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with the Listing Rules or the ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or, subject to compliance with the Listing Rules and the ASX Settlement Operating Rules, by any other form approved by the Directors.

The Board may refuse to register a transfer of Shares where permitted to do so under the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required to by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules.

Issue of further shares

Subject to the Corporations Act, the Listing Rules, and the Constitution, the Directors may issue and allot, or dispose, of Shares on terms determined from time to time by the Directors at an issue

price that the Directors determine from time to time. The Directors' power under the Constitution includes the power to grant options and performance rights over unissued Shares.

Winding up

Without prejudice to the rights of the holders of Shares issued on special terms and conditions, if the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders in kind all or any of the Company's assets; and for that purpose, determine how it will carry out the division between the different classes of Shareholders, but the liquidator may not require a Shareholder to accept any Shares or other securities in respect of which there is any liability.

Non-marketable parcels

The Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy-backs

Subject to the Corporations Act, the Listing Rules, the Company may buy Shares on terms and at times determined by the Board.

Variation of class rights

At present, the Company's only class of shares on issue is ordinary shares. The rights attached to any class of Shares may be varied in accordance with the Corporations Act.

Dividend reinvestment plan

The Directors may resolve, in respect of any dividend which it is proposed to pay on any Shares, that holders of those Shares may elect to forego their right to share in the proposed dividend or part of the proposed dividend; and instead receive an issue of Shares credited as fully paid or a transfer of fully paid Shares (or both). The Directors have no current intention to establish a dividend reinvestment plan.

Directors – appointment and rotation

Under the Constitution, the minimum number of Directors that may comprise the Board is 3 and the maximum is fixed by the Directors but may not be more than 7 unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company. Retirement will occur on a rotational basis so that no Director (excluding the Managing Director) holds office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Directors – voting

Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote.

Directors – remuneration

The Directors, other than an executive Director, will be paid by way of fees for services up to the maximum aggregate sum per annum as may be approved from time to time by the Company in general meeting. The current maximum aggregate sum per annum is \$250,000, with the initial remuneration of the Directors set out in Section 6.5. Any change to that maximum aggregate sum needs to be approved by Shareholders. Pursuant to the Constitution, non-executive Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the Company's business.

Indemnities

The Company, to the extent permitted by law, indemnifies each Director against any liability incurred by that person as an officer of the Company or its subsidiaries, and reasonable legal costs incurred by that person in defending an action for a liability of that person. The Company, to the extent permitted by law, may make a payment (whether by way of an advance, loan or otherwise) to a Director in respect of legal costs incurred by that person in defending an action for a liability of that person. The Company may enter into a deed with any officer of the Company to give effect to those matters outlined in this paragraph.

The Company, to the extent permitted by law, may pay a premium for a contract insuring a person who is or has been a Director against liability incurred by that person as a Director.

Amendment

The Constitution may be amended only by special resolution passed by at least three-quarters of the Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of the Company.

The Company must give at least 28 days' written notice of a general meeting of the Company.

11.5 Consents and disclaimers

Each of the parties who are named below:

- has not made any statement that is included in this Prospectus, or any statement on which a statement is made in this Prospectus is based, other than as specified in this Section;
- has not authorised or caused the issue of any part of this Prospectus;
- makes no representations or warranty, express or implied, as to the fairness, accuracy or completeness of information contained in this Prospectus; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements made in, or omissions from, this Prospectus, other than as specified in this Section, and excludes and disclaims all liability for any damage, loss (including direct, indirect or consequential loss), cost or expense that may be incurred by an investor as a result of this Prospectus being inaccurate or incomplete in any way or for any reason.

Authorised Intermediary

Baillieu Holst Ltd has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Authorised Intermediary, in the form and context in which it is named.

Australian Legal Adviser

Minter Ellison has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the legal advisers to the Offer, in the form and context in which it is named.

Auditor

Ernst & Young has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the auditor to the Company, in the form and context in which it is named.

Investigating Accountant

Ernst & Young has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Investigating Accountant in connection with the Offer and to the inclusion of the Investigating Accountant's independent limited assurance report on the historical and pro forma financial information in the form and context in which it appears in Section 8.

Joint Lead Managers

Baillieu Holst Ltd, Morgans Financial Limited, T.C. Corporate Pty Ltd and Bell Potter Securities Limited have respectively given, and as at the time of lodgement of this Prospectus, have not withdrawn their consent to be named in the Prospectus as the Joint Lead Managers to the Offer, in the form and context in which they are named respectively.

Co-manager

Australian Unity Funds Management Limited has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the co-manager to the Offer, in the form and context in which it is named.

Custodian

National Australia Bank Limited has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Custodian of the assets of the Company's Investment Portfolio, in the form and context in which it is named.

Share Registry

Computershare Investor Services Pty Limited has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Share Registry of the Company, in the form and context in which it is named.

Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as the Company's Share Registry. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

Manager

Acorn Capital Limited has given, and as at the time of lodgement of this Prospectus, has not withdrawn its consent to be named in the Prospectus as the Manager and to the inclusion in this Prospectus of the statements by it, or the statements based on statements made by it, concerning its business, investment strategy and philosophy, its financial and investment results, in the form and context in which those statements appear in this Prospectus.

11.6 Expenses of the Offer

The total estimated expenses of the Offer payable by the Company, including the Authorised Intermediary's fees and Joint Lead Managers' fees, accounting and tax fees, legal fees, lodgement fees, ASX listing fees, fees for other advisers, prospectus design, printing, advertising and other miscellaneous expenses (including taxes and other government charges), will range from approximately \$674,745 (assuming \$50 million is raised under the Offer) to \$1,069,956 (assuming \$100 million is raised under the Offer), and calculated on the basis that 50% of the Offer is raised under the General Offer and 50% is raised under the Broker Firm Offer (see Section 7.5). These costs are payable by the Company or to the extent that the costs have been paid by the Manager, will be reimbursed by the Company to the Manager.

11.7 Legal proceedings

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Company is directly or indirectly involved.

11.8 Investor considerations

Before deciding to participate in this Offer, you should consider whether the Securities to be issued are a suitable investment for you. There are general risks associated with any investment in the stock market. The value of Securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

If you are in doubt as to the course you should follow, you should seek advice on the matters contained in this Prospectus from a stockbroker, solicitor, accountant or other professional adviser.

The potential tax effects relating to the Offer will vary between Investors. Investors are urged to consider the possible tax consequences of participating in the Offer by consulting a professional tax adviser.

11.9 Working capital statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

11.10 Authorisation

Each Director has authorised the issue of this Prospectus. Each Director has consented (and has not withdrawn their consent) to the lodgement of this Prospectus with ASIC.

11.11 Governing Law

This Prospectus, the Offer and the contracts formed on acceptance of Applications under the Offer are governed by the laws in force in the State of Victoria and each Applicant submits to the non-exclusive jurisdiction of the courts of Victoria.

12. Authorised Intermediary – Financial Services Guide

This Financial Services Guide (“FSG”) is an important document which contains important information about the types of financial services we can provide you. In this document, “We”, “Us” and “Baillieu Holst” mean Baillieu Holst Ltd.

The purpose of the FSG is to explain important information about the types of financial services we can provide you, our methods of remuneration, details of some of the risks involved in investment, and what you may do in case you wish to make a complaint.

The matters covered by this FSG include:

- who we are and how we can be contacted
- what services and types of products we are authorised to provide
- how we (and any other relevant parties) are remunerated
- details of our internal and external dispute resolution procedures and how complaints are dealt with.

It is intended that this FSG should assist you in determining whether to use any of our services.

If you choose to use any of our products and services you may also receive other documents which you should read carefully. These documents may include the following:

Statement of Advice (SOA)

This will usually be given if we provide you with personal advice, that is financial product advice where we take into account your personal objectives, financial situation and needs. The SOA will contain the personal advice, the basis on which it is given and other information including details about fees, charges, other benefits, commissions and associations which may have influenced the provision of the advice.

However, in certain circumstances, that is the provision of further advice, a SOA may not be provided. Details of such advice will be recorded in a Record of Advice (ROA) which you will have the right to request after the advice has been given.

Product Disclosure Statement (PDS)

This will usually be provided when we make a recommendation to you to acquire, continue to hold or dispose of a financial product (other than securities) or offer to issue or arrange the issue of such a financial product on your behalf. This document is produced and made available by the issuer of the financial products, who decides the content. The PDS will contain information about the financial product necessary for you to make an informed decision about whether to acquire, hold or dispose of that product.

Prospectus

This will usually be provided when we make a recommendation to you to acquire securities under a new issue offering or a float, prior to quotation of the securities on a prescribed financial market such as the ASX. The Prospectus will contain information about the securities and issuer necessary for you to make an informed decision about whether to acquire the securities.

1. Who is Baillieu Holst?

Baillieu Holst Ltd is a Participant of the Australian Securities Exchange Group, and resulted from a merger of E.L. & C. Baillieu Stockbroking Ltd and F W Holst & Co Pty Ltd in November 2012.

E.L. & C. Baillieu Stockbroking Ltd commenced business in 1889, some five years after The Stock Exchange of Melbourne was founded, and traded as a partnership until it was corporatised in March 1986. F W Holst & Co Pty Ltd was established in 1893 and specialised in providing stockbroking, financial planning and superannuation services and advice to private clients.

The company has been granted and holds Australian Financial Services Licence (AFSL) No 245421 issued by the Australian Securities and Investments Commission.

Baillieu Holst has also been admitted as a participant of the following exchanges:

- 1 September 2009: National Stock Exchange of Australia (NSX).
- 28 February 2012: Chi-X Australia Pty Ltd (Chi-X)
- 12 April 2012: Sim Venture Securities Exchange (Sim VSE).

We are able to execute transactions on the above exchanges on behalf of clients.

2. Your Adviser

Your adviser is an employee of Baillieu Holst, we are therefore responsible for any advisory, dealing or other financial services you receive from us. Your adviser's name will be included in all confirmations issued to you.

3. Financial Services available from Baillieu Holst

Services provided by Baillieu Holst include:

- Giving advice (both general and personal) and dealing in:
 - Basic deposit products
 - Non-basic deposit products
 - Derivatives limited to old law securities options contracts
 - Foreign Exchange contracts
 - Government debentures, stocks or bonds
 - Life Products
 - Managed Investment Scheme interests
 - Managed Discretionary Account services
 - Retirement Savings Account products
 - Securities
 - Standard Margin Lending Facilities
 - Superannuation products
 - Investor Directed Portfolio Services (IDPS)
 - ASX Managed Investment Warrants.
- Providing custodial or depository services (other than IDPS) to retail and wholesale clients.
- Underwriting an issue of securities and interests in managed investment schemes.

In providing you with these financial services, we will be acting on your behalf unless otherwise notified to you. For example, from time to time, Baillieu Holst acts as the manager of initial public offerings (IPO) and placements.

Advice: If we provide you with advice, you will receive either personal financial product advice (Personal Advice) or general financial product advice (General Advice). In order for you to receive Personal Advice you will need to give Baillieu Holst details of your personal objectives, current financial situation and needs, and any other relevant information, so that we can provide you with appropriate advice.

You have the right not to provide us with this information. If you choose not to provide us with your relevant information, or the information you provide is incorrect or becomes incorrect, this may affect the advice

provided to you. You should consider the appropriateness of any such advice in respect of your relevant personal circumstances before you act on the advice.

We may also provide you with limited Personal Advice, that is, advice that is limited to a particular Financial Product range and/ or based on limited relevant information. This may mean the advice and resulting investment may not be appropriate to your needs, objectives and circumstances. You should make your own assessment of the appropriateness of any such advice to your needs.

We will only give Personal Advice to you if you secure the services of one of our advisers and we specify that we are giving you Personal Advice. We will not give you Personal Advice in our regular updates or marketing material, when you visit our website, or if you contact our non-advisory staff.

General Advice is advice that does not contain any direct or implicit recommendation that the Financial Products or Financial Services referred to are appropriate to your own investment objectives and personal circumstances. You should not rely on General Advice without making your own inquiries or assessment about the suitability of the Financial Product or Financial Service to your own individual investment objectives, financial situation and needs.

Newsletters and research reports on a variety of companies, both industrial and mining, which are published regularly. Our advisers can provide guidance to clients on a wide range of investments and strategies ranging from long term investment to short term speculation.

Portfolio and financial advice. We are pleased to evaluate and comment on clients' portfolios and to prepare suitable portfolios to meet clients' particular needs.

Arrangement of investment in fixed interest

securities issued by the Commonwealth of Australia and State instrumentalities, or public company debentures. We offer advice on the suitability, security and general worthiness of a wide range of fixed interest securities.

Arrangement of short term fixed interest investments. This includes the placing of clients' money at call with cash management trusts or common funds managed by trustee companies, and the purchase of bank bills which provide an attractive and secure medium for investment for clients wishing to deposit monies for periods ranging from one to six months.

Cash Management Trust. We offer clients the convenience of establishing a cash management account with a variety of providers for settling transactions on their portfolio. Baillieu Holst has co-branded cash management account facilities for its clients, which is operated and provided by St George Bank Limited ABN 92 055 513 070 AFSL No. 240997.

Establishing a Self Managed Superannuation Fund (SMSF). We are pleased to assist clients in the establishment of their own SMSF, and will provide ongoing administration and investment management services to the appointed SMSF trustee as agreed by arrangement with the trustee.

How you can give us instructions. You can give us instructions in relation to market transactions by telephone, facsimile, letter, email or by any other means as may be mutually agreed in writing. However, when giving us order instructions, unless you speak to one of our advisers, we cannot guarantee that your order will be carried out.

For all other instructions, you will need to provide us with written and signed documentation.

Cancellation of Market Transactions. Under ASX Group Rules, the ASX is permitted to direct us to cancel or amend any market transaction that is effected by an error or omission. Under those Rules, we may elect (by agreement with the other broker) to cancel or amend a market transaction(s), or we may be directed by the ASX Group to cancel or amend a market transaction(s) due to (a) an honest and genuine mistake in relation to the characteristics, details or execution of a market transaction, or (b) a breakdown or malfunction of the ASX Group's systems or any other technical or administrative error affecting the market transaction. Where a transaction is executed by us on your behalf, you consent to any decision made by us to cancel or amend such market transaction(s), or any direction by ASX compelling us to cancel such market transaction(s), and agree that we will not be liable to you or any other person in contract or tort or any other basis for any loss, damage, cost or expense arising directly or indirectly from such cancellation or amendment. Under NSX Business Rules, we may cancel or amend a market transaction that is effected by an error. Any decision to cancel or amend a transaction effected by an error is binding on you and you consent to any decision made by us to cancel or amend such market transaction(s), or any direction by NSX compelling us to cancel such market transaction(s), and agree that we will not be liable to you or any other person in contract or tort or any other basis for any loss, damage, cost or expense arising directly or indirectly from such cancellation or amendment.

4. Charges and means of remuneration

4.1 How you pay for services

Brokerage and other charges which apply to each of the services we offer are explained below. Fees for portfolio administration and investment products are also explained below. Newsletters and research reports are provided free of charge. All brokerage, commission and other charges to be paid by you, are to be paid directly to Baillieu Holst.

4.2 Calculation of brokerage, commission and other charges.

4.2.1 Securities quoted for trading on markets

Brokerage charges apply to the purchase and sale of products quoted for trading on prescribed financial markets such as ASX, Chi-X, NSX and Sim-VSE, including equities, options, warrants, fixed interest products and interests in listed managed investment schemes.

Brokerage is charged on each transaction, and is calculated as a percentage of the dollar value of the transaction plus goods and services tax (GST).

Brokerage rates are negotiable and will be agreed with you prior to the execution of a transaction. All transactions are subject to minimum charges, which are variable and will be advised to you at the time of placing an order or will be agreed and form part of your accepted terms of dealing with Baillieu Holst.

Brokerage Example: If the amount transacted is \$10,000 and the brokerage is 1%, the brokerage is \$100 plus GST of \$10.00 (total \$110.00).

For a purchase, the brokerage is added to the transaction value to form the total consideration payable to Baillieu Holst to effect the transaction. For a sale, the brokerage is deducted from your proceeds from the transaction. These amounts are specified on the Confirmation with regard to your purchase or sale.

4.2.2 Fail Fees and Late Payment Charges

You may be charged "fail fees" (charged by ASX and NSX) or "late payment fees" if you fail to settle a purchase or sale transaction by the time and date specified on the Confirmation. These fees are shown below.

Fail Fee – ASX or Chi-X Trade

Confirmation Value (Amount Transacted and Brokerage + GST)	Fail Fee / Late payment Fee
\$100,000 or less	\$100 + GST per day
Above \$100,000	0.1% of consideration + GST per day (up to a maximum of \$5,000 + GST per day)

Consideration is calculated based on the previous day's closing price of the products to be transacted.

Fail Fee – NSX or Sim-VSE Trade

The fail fee for an NSX or Sim-VSE trade is a minimum of \$50 + GST per day. However, where the stock is settled via the ASX, the fail fee will be in accordance with the ASX fail fee schedule.

Fail Fee / Late Payment Fee Example: For a sale of shares where the amount transacted was \$115,000 and brokerage was 2.5% + GST, the consideration will be \$118,162.50.

For an ASX Listed Stock: The fail fee will be

\$115.00 (including GST) and on subsequent days the fee will be adjusted according to movements in the previous day's closing price for the transaction / product.

For an NSX or Sim-VSE Stock (not settled via ASX): The fail fee will be \$55.00 (including GST)

4.2.3 Provision of Financial or Retirement Planning Advice

Baillieu Holst may charge a fee for the provision of financial advice. This fee will vary depending on the complexity of the advice and strategy provided (based on hours taken to prepare the advice). Your adviser will agree the fee with you prior to the preparation of the financial advice.

Where personal advice is provided, further details of the fees for advice provided will be contained in the SOA you receive.

4.2.4 Investment Product Fee

The table below is a summary of the range of fees or commissions we may receive from product issuers for referring clients who acquire their investment products:

Upfront Fee 0% to 6.60% of the amount you invest

Trail Commission 0% to 1.1% (per annum) of the ongoing value of your investment

The amount of the fee or commission we receive is dependent on the identity of the issuer, the fee or commission which they pay or rebate and the nature of the product.

4.2.5 Portfolio Performance Fee

A client who appoints Baillieu Holst to advise on their direct share portfolio investments may be charged a performance fee on any out performance of that portfolio's agreed benchmark in exchange for being charged lower brokerage (paragraph 4.2.1). This fee will be detailed in your SOA.

4.2.6 Portfolio Administration Service Fee

Baillieu Holst can provide administration services for your investment portfolio. A summary of the fees that apply to that service are set out in the table below.

Portfolio Administration Service Fee Example: The market value of the investment we administer on your behalf is \$100,000 at the end of the month. The ongoing service fee which may be charged for that month is one twelfth of \$1,250 + GST, or \$104.17 plus GST of \$104.42 (total \$114.59).

Establishment Fee

Depending on the complexity of the set-up, we may charge an establishment fee. This fee will be disclosed to you.

Ongoing Service Fee

(calculated on the market value of funds under administration)
Minimum annual charge: \$1,250
We will charge a fee as a percentage of the funds under administration. This fee will be disclosed to you.

Other fees and charges described in this FSG are additional to the Portfolio Administration Service fee. For example, brokerage (refer 4.2.1 above) will apply on all listed securities transactions within the Portfolio Administration Service.

4.2.7 New issues, privatisations and floats

You are not charged brokerage or commission when making an application for securities in a new issue, privatisation or a float. If, however, your application is stamped by Baillieu Holst and is successful, we may be entitled to

receive a lodgement fee from the company, government or relevant issuer, which will vary depending on the issuer.

Where we act as underwriter or sub-underwriter or manager of such an issue, we will receive fees for acting in that capacity. Details of lodgement and other fees will be disclosed in the prospectus for the issue, and will depend on the individual circumstances and type of the issue.

4.2.8 Fixed Interest/Cash Management Trusts
No brokerage or commission is charged by us where we lodge funds on your behalf in a cash management trust or where you purchase fixed interest securities in the primary market, that is, through a prospectus.

We will, however, receive a commission from fixed interest borrowers and cash management trustees for any funds lodged with them on behalf of our clients. This commission is payable only to licensed institutions, such as ourselves, and is not payable to investors. You are in no way disadvantaged by arranging these facilities through us. The amount of commission we receive varies depending on the identity of the issuer and the nature of the product, but typically ranges from 0.25% (inclusive of GST) to 0.44% (inclusive of GST) of the average daily balance of the amount lodged.

Where we purchase discounted securities such as bank bills of exchange or promissory notes, we deduct and retain 0.25% from the yield negotiated with the seller.

4.2.9 Self Managed Superannuation Fund (SMSF) Service

In addition to the fees and commissions described above, where we assist clients to establish and set up a SMSF, a minimum fee of \$1,555 inclusive of GST is charged.

4.3 Means of remuneration

Directors and Client Advisers of Baillieu Holst are remunerated by salary or on a commission basis or on a combined salary/commission basis. Advisers remunerated on a commission basis receive up to 50% of brokerage charged to the client, up to 60% of any Portfolio Administration Service Fees and Portfolio Performance Fees and up to 70% of any new issue, privatisation and float commissions received by Baillieu Holst.

5. Your rights

Where you receive personal advice, your adviser is obliged to have a reasonable basis for making that recommendation.

This means that your adviser must give consideration to the information available about your investment objectives, financial situation and particular needs. If you do not wish to provide such information, or you only provide limited information your adviser will be limited in his or her ability to provide financial advice specific to your requirements. In such cases, any financial advice given will only be general in nature.

You have the right to know about details of commissions and other benefits your adviser receives for providing financial advice to you and we are obliged to disclose any interest of the adviser that may reasonably be expected to be capable of influencing financial advice provided to you. We will provide the information to you when we provide that advice.

6. Provision of Information to Baillieu Holst

6.1 Provision of personal information to your client adviser

When you contact a client adviser with a stockbroking organisation, he or she will generally presume that you have already made the decision to invest a particular part of your investable assets in equities rather than some other asset class.

If you have not made this decision or you require assistance with it, you should let the client adviser know, so that he or she can advise you appropriately or refer you elsewhere.

In order for us to provide advice which is appropriate to your personal circumstances, you will be asked to provide certain detailed personal information about your investment objectives, financial situation and particular needs, either in writing or orally.

This information will be kept strictly confidential.

If you wish to rely on our advice it is incumbent upon you to have provided us with full details of your personal circumstances so that we can make a proper judgement as to the suitability or otherwise of the securities under discussion.

If you choose to provide this information you should ensure that your adviser becomes aware of any changes that may be relevant when advice is given in the future.

6.2 What are the possible consequences of not providing this information?

You are of course at liberty to decline to provide some or all of this information, but if you do not provide it, your client adviser will only be able to provide general financial advice to you on the basis of the information you do provide. Thus any resulting investment may not be appropriate to your investment objectives, financial situation and particular needs. If you do not provide all information relevant to your investment objectives, financial situation and particular needs:

- a) we may not be able to undertake a comprehensive analysis of your investment objectives, financial situation and particular needs;
- b) accordingly, our advice may be based on incomplete or inaccurate information relating to your relevant personal circumstances; and
- c) before acting on the advice, you need to consider whether our general advice is appropriate having regard to your relevant personal circumstances.

This process does not apply in relation to the provision of written or oral general advice, such as that contained in newsletters and research reports. General advice is based solely on the investment merits of the financial products, and is prepared without consideration of the investment objectives, needs and financial circumstances of any particular investor and includes the warning that the advice is not a recommendation that a particular transaction in those financial products may not be appropriate or suitable for the recipient of the advice.

7. Limitations of research

The research undertaken by stockbrokers is basically the opinion of specialist analysts. It can never be guaranteed, is only valid for a limited time and is often subject to market movements.

For example, for short term investors a buy recommendation could turn into a sell recommendation where the market price of a stock appreciated by a small amount.

For a prospective longer term investor this market movement may not be significant, although a larger movement might be.

The mere fact that a stock is recommended by an analyst as a "Buy" does not necessarily mean that the stock is a suitable investment for you and you should consult with your client adviser before acting on any research report.

8. General risk disclosure statement and guidance for investors

8.1 Introduction

We will explain to you any significant risks associated with investments and strategies which we recommend to you. You can ask us to explain those risks to you at any time.

Equity securities, in common with all the other asset classes (eg real property and government bonds) can decline in value as well as appreciate.

The measure of this change in value is often referred to as volatility, i.e. the more the value varies over time, the more volatile the asset is and therefore generally the more risk involved in investing in it. On the other hand, the less volatile an asset is, the less likelihood there is for any significant capital gain or loss from investing in that asset.

Equity securities are generally more volatile than other asset classes; however the markets for other asset classes are not as efficient or transparent as the stock market in terms of the information available to investors and the process for continuously determining and making public the real market value of the particular asset. For this reason the real volatility of those assets is often not fully appreciated.

8.2 What are the risks?

In general the risks of investing in equities can be categorised in the following manner. (Please note that the lists below do not purport to be complete, as it would not be feasible to list all the possible risks in each category).

Overall market risk

This is the risk of loss by reason of movements in the share market generally. These can be caused by any number of factors. Specific examples are changes in interest rates, political changes, changes in taxation or superannuation laws, international crises or natural disasters.

Domestic versus international factors

The vulnerability of a company to international events or market factors influences the value of its shares. These would include movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets.

Sector specific factors

These would include demand for the product the company produces, commodity prices, the economic cycle of industry, changes in consumer demands, lifestyle changes and changes in technology.

Stock specific factors

These would include the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed

cost structure, litigation, profits or losses on particular contracts, drill results, competition from within the sector, and whether the company already has a profitable business or whether it is exploring for recoverable resources or is developing a new product.

Risks of Margin Lending Facilities

A margin loan is a facility that lets you borrow money to invest in shares or other financial products, which is known as "gearing". The shares / other financial products are normally held by the lender as security against the loan. As with other loans, interest is payable on the amount borrowed, and other charges may also apply.

Borrowing money on a margin loan increases the amount available for investment. This has the effect of increasing the gains from an investment (in the case of an increase in market value), but also magnifies the losses (in the case of a decrease in market value).

Most margin lenders only lend a set percentage of the value of the shares or other financial products, which is known as the "loan-to-value ratio" or LVR. The margin lenders will publish their "approved list" of shares which will detail the maximum LVR, or amount you can borrow. You might be required to pay a "margin call" in a fairly short space of time (often 24 hours or less) if the value of investments held as security against the margin loan falls. A margin call can normally be met by paying cash, adding additional shares / other financial products as security, or selling securities to reduce the loan balance. If you do not pay the margin call the margin lender will normally have the right to sell securities or take other action to reduce the loan balance. If there is a shortfall the margin lender will normally be able to sell securities or take other action at their discretion.

You should be aware of the conditions of any margin loan before entering into any margin lending agreement. You should also ensure that you monitor your loan regularly and take prompt action if you are near to the maximum LVR or you will risk receiving a margin call. You should ensure that you can service the margin loan with income rather than relying on investment returns to service the loan.

Taxation Issues

Baillieu Holst can only provide general information about taxation issues. Baillieu Holst is not a Registered Tax Agent or Tax Adviser. Taxation issues should be discussed with your Accountant or Taxation Adviser.

8.3 Basic investment strategies – What are they?

Income - you may need an income stream, perhaps to meet your living expenses. You may also tend to avoid shares which do not pay franked dividends.

Growth - a secure income stream may not be necessary, as your income needs are met from other sources. However, if you wish to achieve capital growth to provide a hedge against inflation, to accumulate wealth and/or to defer taxation, growth stocks may be appropriate to your needs.

Shares which are likely to provide capital growth can also result in capital losses and the shares with the greatest potential for growth may also have the greatest potential for loss in value.

Mix of growth and income - your needs may include both a secure income stream and some measure of capital growth.

Short term trading - you may wish to trade in shares with a view to profiting from short term price movements in the stock market.

Mixture of the above - some shares to be acquired for each of the above purposes.

8.4 Privacy - What information do we maintain about you?

At Baillieu Holst the privacy of your personal information is important to us. Any personal information collected will be handled in accordance with our Privacy Policy. Our Privacy Policy details how we comply with the requirements of the Privacy Act in the handling of your personal information.

We will only disclose personal information to third parties carrying out functions on behalf of the firm on a confidential basis, or to the extent necessary to comply with our obligations as required or authorised by law. Our Privacy Policy Statement is available on our website www.baillieuholst.com.au or you may contact our office for a copy.

If you wish to discuss these details, you should contact your adviser.

9. Professional Indemnity Insurance cover

Baillieu Holst has in place Professional Indemnity Insurance which satisfies the requirements of Section 912B of the Corporations Act. Section 912B relates to Retail Client compensation arrangements.

In very general terms, Section 912B requires Baillieu Holst to have arrangements for compensating a Retail Client for loss or damage suffered because of breaches by Baillieu Holst, or by our representatives/ employees, of obligations under Chapter 7 ('Financial Services and Markets') of the Corporations Act.

The Professional Indemnity Insurance we have in place will cover claims in relation to the conduct of representatives/employees who no longer work for Baillieu Holst but who did at the time of the relevant conduct.

10. If you have any complaints

To improve our level of customer service, Baillieu Holst has a complaints handling procedure. If you have a complaint about the service provided to you, you should take the following steps:

1. Contact your adviser and tell him/her about your complaint.
2. If your complaint is not satisfactorily resolved within 3 days, please contact our Compliance Manager on +613 9602 9222 or put your complaint in writing and send it to us addressed to:

The Compliance Manager
Baillieu Holst Ltd
PO Box 48, Collins Street West
Melbourne Vic 8007

We will try and resolve your complaint fairly and expeditiously.

3. If you still do not obtain a satisfactory outcome, you have the right to complain in writing to:

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001
Tel: 1300 78 08 08
Fax: +613 9613 6399
Email: info@fos.org.au
Web: www.fos.org.au

We are a member of this scheme.

The Australian Securities and Investments Commission (ASIC) also has a free call infoline on **1300 300 630** which you may use to make a complaint and obtain information about your rights.

Melbourne

Level 26, 360 Collins Street
Melbourne Victoria 3000
PO Box 48
Collins Street West Victoria 8007
Ph +613 9602 9222
Fax +613 9602 2350
Email: melbourne@baillieuholst.com.au

Sydney

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PO Box R1797
Royal Exchange NSW 1225
Ph +612 9250 8900
Fax +612 9247 4092
Email: sydney@baillieuholst.com.au

Bendigo

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PO Box 40
Bendigo North Victoria 3550
Ph +613 5443 7966
Fax +613 5442 4728
Email: bendigo@baillieuholst.com.au

Newcastle

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The Junction NSW 2291
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Email perth@baillieuholst.com.au

Geelong Office

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Fax +613 5229 4142
Email: geelong@baillieuholst.com.au

www.baillieuholst.com.au

13. Glossary

The following terms used in this Prospectus have the following meanings unless the context otherwise requires.

AEST	Australian Eastern Standard Time
AFSL	Australian Financial Service Licence
All Ordinaries Accumulation Index	An index comprising the 500 largest ASX listed companies by way of market capitalisation
Allotment Date	The date the Company anticipates the Shares and Options will be allotted and issued to Applicants
Applicant	A person who makes an Application for Shares and Options under this Prospectus
Application	An application to subscribe for Shares and Options under this Prospectus
Application Amount	The amount required to be submitted with an Application, being the Issue Price multiplied by the number of Shares (and Options) applied for
Application Form	Either the General Offer Application Form or the Broker Firm Offer Application Form
Application Monies	The Monies payable in connection with an Application
ASIC	Australian Securities and Investments Commission
ASX or Australian Securities Exchange	ASX Limited (ACN 008 624 691) or the financial market it operates, as the context requires
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendation with 2010 Amendments (second edition)
ASX Listing Rules or Listing Rules	The official listing rules of ASX
ASX Settlement	ASX Settlement Pty Limited ABN 49 008 504 532
ASX Settlement Operating Rules	The operating rules of ASX Settlement as amended from time to time, except to the extent of any express written waiver by ASX Settlement
ASX-225	As defined by the Manager, those entities listed on ASX which have an equity valuation greater than the 225th largest, by full market capitalisation (and not free-float adjusted), ASX-listed entity (such entity and the 224 that are larger than it being the ASX-225)
ASX-250	As defined by the Manager, those entities listed on ASX which have an equity valuation greater than the 250th largest, by full market capitalisation (and not free-float adjusted), ASX-listed entity (such entity and the 249 that are larger than it being the ASX-250)
Australian Nexus	In the context of an investment in an entity with an Australian Nexus means: (a) an Australian incorporated entity which is not listed on ASX; or (b) a non-Australian incorporated entity (which is not listed on ASX), but which the Manager considers has a close connection to Australia (for example where the main assets of the entity are located in Australia, the key management of the entity resides in Australia, or the entity has indicated to the Manager its intention to list on the Official List within 3 to 5 years)
Authorised Intermediary	Baillieu Holst Ltd ACN 006 519 393

Bloomberg	The financial information service provided by Bloomberg L.P.
Board or Board of Directors	The board of directors of the Company
Broker Firm Offer	The offer referred to in Section 2.1
Brokers	The brokers who have introduced the Applicants to the Broker Firm Offer
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act
Closing Date	5.00pm AEST on 11 April 2014
Company	Acorn Capital Investment Fund Limited ACN 167 595 897
Constitution	The constitution of the Company
Corporations Act	Corporations Act 2001 (Cth) as amended from time to time
Custodian	National Australia Bank Limited ACN 004 044 937
Directors	The directors of the Company
Diversified	Means a diversification of industry sector weightings given to the Investment Portfolio with such weightings determined by reference to the Sector Benchmark
Existing Strategy	An investment strategy operated by the Manager since 2009 on behalf of an institutional client which most closely resembles the investment strategy proposed for the Company
Expiry Date	5.00pm AEST on the date being 18 months, from the date of issue of the Options (which is currently anticipated to occur on or about 22 April 2014)
Exposure Period	The period of 7 days after the date of lodgement of this Prospectus with ASIC, which period may be extended by ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act
FactSet	The financial information service provided by FactSet Research Systems Inc.
FHSA	First Home Saver Account as described at section 8 in the First Home Savers Account Act 2008
General Offer	The offer referred to in Section 2.1
GST	Australian Goods and Services tax
Investigating Accountant	Ernst & Young
Investment Portfolio	The portfolio of securities to be managed in accordance with the Management Agreement by the Manager pursuant to the investment mandate and strategy set out in this Prospectus
IRESS	The financial information service provided by IRESS Limited

Issue	The proposed issue of Shares and Options pursuant to this Prospectus
Issue Price	The price per Share
Joint Lead Managers	Baillieu Holst Ltd, Morgans Financial Limited, T.C. Corporate Pty Ltd and Bell Potter Securities Limited
Legal Adviser	Minter Ellison Lawyers
LIC	Listed investment company
Listed Microcap	A Microcap Company that is listed on ASX
Management Fee	The management fee(s) payable to the Manager by the Company pursuant to the terms of the Management Agreement
Manager	Acorn Capital Limited ACN 082 694 531
Microcap Company or Microcap	Those entities which have an equity valuation less than that of the 250th largest entity on ASX at the time of investment by the Manager
Minimum Subscription	The Shares that may be issued under the Prospectus to raise a minimum of \$50 million
NAV	Net asset value
Offer	<p>The offer detailed in this Prospectus of Shares (together with one Option to acquire one Share for every one Share issued for nil consideration), in the case of the:</p> <ul style="list-style-type: none"> ■ Broker Firm Offer (in respect of wholesale Applicants or retail Applicants who provide consent to the payment of the Service Fee) - at a Subscription Amount of 98.35 cents per Share (with a Service Fee of 1.65 inclusive of GST per Share); ■ Broker Firm Offer (applicable only to retail Applicants who do not provide consent to the payment of the Service Fee) – at an Issue Price of \$1 per Share ■ General Offer – at an Issue Price of \$1 per Share ■ To raise a Minimum Subscription of \$50 million
Official List	The official list of the ASX
Official Quotation	Official quotation of securities by ASX
Opening Date	9.00am AEST on 27 March 2014
Option	An option to acquire by way of issue one Share
Optionholder	A person registered from time to time on the Company's register of Options as a holder of one or more Options
Performance Fee	The performance fees payable to the Manager by the Company pursuant to the terms of the Management Agreement
Performance Fee Amount	A record of the Performance Fee entitlement earned by the Manager but, not yet paid, plus accrued interest. A positive balance indicates that a Performance Fee may be payable, while a negative account balance indicates the Performance Fee is not payable

Portfolio Market Value	The sum of the market value of the assets in the Investment Portfolio
Proceeds	The capital raised by the Offer
Prospectus	This document (including the electronic copy of this prospectus), and any supplementary or replacement prospectus in relation to this document
retail Applicant or retail investor	An Applicant or investor who is not a wholesale Applicant or wholesale investor
S&P/ASX Small Ordinaries Accumulation Index	S&P/ASX Small Ordinaries Accumulation Index, an index whose constituents are the 101st – 300th largest, by market capitalisation, entities listed on ASX
Securities	The Shares and Options offered pursuant to the Prospectus
Sector Benchmark	The Acorn Capital/Securities Industry Research Centre of Asia-Pacific Microcap Accumulation Benchmark
Service Fee	A one-off fee of 1.65 cents (inclusive of GST) per Share payable by wholesale Applicants and retail Applicants under the Broker Firm Offer who provide their consent to the payment of the Service Fee to the Applicant's Broker in respect of the services provided by their Broker (and any specified adviser or individual broker) in introducing the Applicant to the Offer, giving advice in respect of the Offer and/or dealing in respect of the Offer
Share	A fully paid ordinary share in the capital of the Company
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277
Shareholder	A person registered from time to time on the Company's register of Shares as a holder of one or more Shares
Subscription Amount	The amount of money payable by an Applicant for New Shares
Unlisted Microcap	A Microcap Company that is not listed on the ASX
wholesale Applicant or wholesale investor	An Applicant or investor who is (in either and in each case) not a retail client under section 761G or 761GA of the Corporations Act

14. Appendix

Option Terms

1. Defined Terms

Unless otherwise defined, capitalised terms used in this Annexure have the meanings given to them in the Glossary to the Prospectus.

Business Day has the same meaning as in the ASX Listing Rules.

Exercise Notice means the notice specified in clause 12.1(a).

Exercise Price in relation to an Option, the exercise price specified in clause 4, as adjusted from time to time in accordance with clause 11.

2. Entitlement

Each Option entitles the Optionholder, on exercise of the Option, to subscribe for one fully paid ordinary share in the capital of the Company.

3. Issue price

No amount is payable on issue of the Options.

4. Exercise price

Each Option has an exercise price of A\$1.00 (Exercise Price).

5. Option period

Each Option may be exercised at any time prior to the Expiry Date by delivery to the Company of a notice of exercise (in or to the effect of the form provided to the Optionholder by the Company at the time of the grant of the Option or otherwise), accompanied by payment of the Exercise Price.

6. Expiry Date

Unless exercised, the Option expires at 5:00 p.m. (AEST) on the date being 18 months from the date of allotment of the Options (which is currently anticipated to occur on or about 22 April 2014).

7. Dividends

The Options do not confer any right to dividends.

8. No voting rights

The Options will confer the right to attend general meetings of the Company and to receive reports to shareholders, but will not confer any right to vote or speak at any meeting.

9. Transfer

Each Option may be freely transferred at any time, in accordance with the Corporations Act, the ASX Settlement Operating Rules and the ASX Listing Rules.

10. Holding Statement

The Company must give each Optionholder either an issuer sponsored or CHESS holding statement which sets out:

- the number of Options issued to the Optionholder;
- the Exercise Price of the Options; and
- the date of issue of the Options.

11. Participation rights, bonus issues, rights issues and reorganisations

11.1 Participation

An Optionholder is not entitled to participate in any new issue to existing shareholders of securities in the Company unless they have exercised their Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.

11.2 Notice of new issue

The Company must give an Optionholder, in accordance with the ASX Listing Rules, notice of:

- the proposed terms of the issue or offer proposed under clause 11.1; and
- the right to exercise their Options under clause 11.1.

11.3 Bonus issues

If the Company makes a bonus issue of Shares or other securities to shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for determining entitlements to the issue.

11.4 Pro rata issues

If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option is reduced in accordance with the ASX Listing Rules.

11.5 Reorganisation

If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Optionholder (including the number of Options to which each Optionholder is entitled and/or the Exercise Price) is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

11.6 Calculations and adjustments

Any calculations or adjustments which are required to be made under clause 11 will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Optionholder.

11.7 Notice of change

The Company must within a reasonable period give to each Optionholder notice of any change under clause 11 to the Exercise Price of any Options held by an Optionholder or the number of Shares which the Optionholder is entitled to subscribe for on exercise of an Option.

12. Method of exercise of Options

12.1 Method and payment

To exercise Options, the Optionholder must give the Company or its Share Registry, at the same time:

- a. a written exercise notice (in the form approved by the Board of the Company from time to time) (Exercise Notice) specifying the number of Options being exercised and Shares to be issued; and
- b. payment of the Exercise Price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company.

12.2 Exercise all or some Options

- a. An Optionholder may only exercise Options in multiples of 500 unless the Optionholder exercises all Options held by the Optionholder.
- b. Options will be deemed to have been exercised on the last day of the month in which the application is lodged with the Company. In the event the application for an exercise of Options is received after September 2015, the Options will be deemed to have been exercised on the Expiry Date.

12.3 Amended Option holding statement

If an Optionholder exercises less than the total number of Options registered in the Optionholder's name, the Company must give the Optionholder an amended CHESS issuer sponsored holding statement stating the remaining Options held by the Optionholder.

12.4 Issue of Shares

After receiving an application for exercise of Options and payment by an Optionholder of the Exercise Price, the Company must within 15 Business Days after the deemed exercise date set out in clause 12.2(b), issue the Optionholder the number of fully paid ordinary shares in the capital of the Company specified in the application.

13. Ranking of Shares issued on exercise of Options

Subject to the Company's constitution, all Shares issued on the exercise of Options rank in all respects *pari passu* with the existing ordinary shares of the Company at the date of issue and only carry an entitlement to receive dividends that have a record date after the Shares were issued.

14. Quotation

Subject to the terms set out in the Prospectus and the ASX Listing Rules, the Company will apply to ASX Limited for official quotation of:

- a. the Options; and
- b. the Shares issued on exercise of the Options (unless at the time of exercise, it is not admitted to the official list of the ASX).

15. Duties and taxes

The Company is not responsible for any duties or taxes that may become payable in connection with the issue of Shares following exercise of, or in connection with any other dealing with, the Options.

16. Notices

- a. All notices, requests and statements given or made under these terms must be in writing.
- b. The Company must send any notice, request or other document relating to the Options to be sent to an Optionholder under these terms to the Optionholder's registered address as recorded in the Company's register of Optionholders.
- c. An Optionholder must send any notice, request or other document relating to the Options to be sent to the Company under these terms to the Company's registered office or as the Company otherwise specifies by notice to the Optionholder.
- d. At any time, an Optionholder may request the Company to give the Optionholder a blank Exercise Notice. The Company must give the Optionholder a blank Exercise Notice promptly on receiving the request.

17. Governing law

These terms and the rights and obligations of Optionholders are governed by the laws of Victoria. Each Optionholder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria.

Corporate Directory

Directors

John Steven
Judith Smith
David Trude
Barry Fairley
Robert Brown

Registered Office

C/- Acorn Capital Limited
ACN 082 694 531
Level 12, 90 Collins Street, Melbourne Victoria 3000

Joint Lead Managers

Baillieu Holst Ltd
(AFSL 245421)
Level 26, 360 Collins Street, Melbourne, Victoria 3000 Australia

Morgans Financial Limited
(AFSL 235410)
Riverside Centre, 123 Eagle Street, Brisbane, Queensland 4000

T.C. Corporate Pty Ltd
(AFSL 247083)
Level 10, 167 Macquarie Street, Sydney, New South Wales 2000

Bell Potter Securities Limited
(AFSL 243480)
Level 29, 101 Collins Street, Melbourne, Victoria, 3000

Auditor

Ernst & Young
Level 23, 8 Exhibition Street, Melbourne, Victoria 3000

Manager

Acorn Capital Limited
ACN 082 694 531
Level 12, 90 Collins Street, Melbourne, Victoria 3000

Company Secretary

Matthew Sheehan

Share Registry

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

Investigating Accountant

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Legal Adviser

Minter Ellison Lawyers
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Authorised Intermediary

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