

# PURE

## ASSET MANAGEMENT

### PURE Resources Fund Information Memorandum

Unit Class: Foundation

Date issued: 16 June 2025

PURE Asset Management Pty Ltd (ACN 616 178 771) – Trustee and Investment Manager  
Australian Financial Services Licence no. 520396

## Important Information

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This is the Information Memorandum ('IM') for Units in the PURE Resources Fund (referred to as the 'Fund') and was issued on 16 June 2025. This IM has been prepared and issued by PURE Asset Management Pty Ltd (ACN 616 178 771) in its capacity as the Trustee of the Fund (referred to throughout this IM as the 'Trustee', 'Investment Manager', 'PURE', 'us' or 'we'). PURE is also the Investment Manager of the Fund, and the holder of Australian Financial Services Licence no. 520396.

No other person (whether or not related to the Trustee) is responsible for any information contained in this IM. The custodian and administrator of the Fund is Apex Fund Services Pty Limited, (ACN 118 902 891 AFSL 303253) ('Apex Fund Services'). Apex Fund Services is part of the Apex Group group of companies and is referred to throughout this IM as the 'Fund Administrator' or 'Apex Fund Services'.

The Unit Registry of the Fund is Apex Fund Services (Apex Pty Limited) (ABN: 81 118 902 891, ACN: 118 902 891) and is referred to throughout this IM as the 'Unit Registry' or 'Apex'.

A glossary of important terms used in this IM can be found in the Dictionary on page 24.

This IM is for an offer of Units in the Fund (the Offer) to investors who qualify as Wholesale Clients under section 761G or 761GA of the Corporations Act or to any other person who is not required to be given a regulated disclosure document under the Corporations Act. This IM has not been and will not be lodged with the Australian Securities and Investments Commission (ASIC). It does not constitute a product disclosure statement, prospectus or other disclosure document within the meaning of the Corporations Act.

This IM is prepared for your general information only. It is not intended to be a recommendation by PURE or any associate, employee, agent or officer of PURE or any other person to invest in the Fund. This IM does not take into account the investment objectives, financial situation or needs of any particular investor. You should not base your decision to invest in the Fund solely on the information in this IM. You should consider the suitability of the Fund in view of your financial position and investment objectives and needs and you may want to seek professional advice before making an investment decision.

This IM does not constitute an offer of securities in the US or to any US Person as defined in Regulation S under the US Securities Act of 1933 as amended (US Securities Act). The Units in the Fund have not been, and will not be, registered under the US Securities Act or the laws of any State, and the Fund is not registered as an investment company under the US Investment Company Act of 1940, as amended. The Fund may not be offered or sold in the US to, or for, the account of any US Person (as defined) except in a transaction that is exempt from the registration requirements of the US Securities Act and applicable US state securities laws.

PURE has authorised this IM for the use of investors who invest directly in the Fund, as well as for investors who invest indirectly ('Indirect Investor') through an investor directed portfolio service, master trust, wrap account or an investor directed portfolio service-like scheme ('IDPS'). The operator of an IDPS is referred to in this IM as the 'IDPS Operator' and the disclosure document for an IDPS is referred to as the 'IDPS Guide'. PURE consents to the use of this IM by IDPS Operators who include the Fund on their investment menus, but accepts no responsibility for IDPS Operators or any failure by an IDPS Operator to provide Indirect Investors with a current version of this IM or to withdraw the IM from circulation if required by the Trustee.

If you received this IM electronically a paper copy will be provided free upon request. Please call us on 1300 133 451 for a copy.

Certain information in this IM relating to the Fund is subject to change. Where we consider it appropriate, we will notify you in writing of any changes. Any updated information may be obtained by contacting Apex Group as follows:

- 1300 133 451 within Australia or +612 8259 8888 from outside Australia

- Emailing [registry@apexgroup.com](mailto:registry@apexgroup.com)

Attn: PURE Asset Management

A paper copy of any updated information will be provided free of charge on request.

Unless otherwise stated, all fees quoted in the IM are inclusive of GST after allowing for an estimate for Reduced Input Tax Credits (RITCs). All amounts are in Australian dollars unless otherwise specified and all references to legislation are to Australian law unless otherwise specified.

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# Welcome Letter from the Principals

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Dear Investor,

We are pleased to offer you the opportunity to invest in the PURE Resources Fund.

The Fund's aim is to generate market leading risk-adjusted returns via differentiated economic exposure to emerging companies with exposure to the resources sector. Unlike traditional long-only funds, PURE primarily enters through a hybrid credit structure. This strategy provides an income return as the investment thesis unfolds, yet retains exposure to the company's equity upside.

The resources sector is critically important to all Australians, continuing to drive the nation's prosperity, while making substantial contributions to exports, wages, jobs and Government budgets. In FY20, mining became Australia's largest industry, accounting for 10.4 percent of real gross domestic product. In the same year, resources contributed \$283 billion to exports in 2019-20, 60 per cent of Australia's total. Treasury forecasts show resources exports to grow by over 5 percent in 2021-22 powered by iron ore, coal and gold.

With commodity prices, capex trends and leading indicators all staging an impressive comeback, we are yet to see the best of what the macro has to offer, in our view. Now though is the time to be selective. Those companies with quality management, solid resource backing, skilled workforces and strong relationships appear well positioned to continue to capitalise. Taking a counter-cyclical approach, there remains plenty of upside for quality franchises as the earnings cycle unfolds and long-term fundamentals remain positive.

For Australia to grow as a nation, capital must be allocated to the emerging resources companies of tomorrow. This is where we see job creation, growing opportunities as well as the potential for higher investment returns.

The Fund will provide investors with exposure to emerging resource and mining services companies that are under-researched and that we consider undervalued. Companies without broker coverage and attention are those most likely to exhibit a dislocation between fundamentals and share price. Finding these companies, then assisting them to grow into tomorrow's leaders is PURE's core focus.

Many smaller companies struggle to achieve stock market recognition, hampering their ability to access capital and fund their growth ambitions. The team at PURE have considerable expertise in assisting management teams to develop their stock market identity, revealing their attractions to a wider audience, which facilitates a re-rating and a lower cost of capital for expansionary investment.

The principals have aggregate experience of over 60 years in financial markets, both domestically and offshore. We are significantly co-invested in the Fund, ensuring we are truly aligned with our investors.

The Fund has partnered with independent mining consultants to assist with our investment strategy. Given the technical depth required in this sector, partnering with experts and incorporating that into our investment approach de-risks our offering. In addition, we continue to remain partnered with Apex Fund Services ("Apex") for all aspects of custody, fund accounting and administration. Unit registry services for the fund will also be provided by Apex Fund Services ("Apex"). Unitholders can have confidence we have partnered with the highest quality service providers as Apex is a leading providers of fund services in Australia. We have ensured that best practice principles are utilised in all aspects of the investment and operation of the Fund.

We welcome you as an investor.

Yours sincerely,

Dan, Tim, Mike and Nick

# Fund at a Glance

About the Fund	
<b>Name of Fund</b>	PURE Resources Fund
<b>Trustee and Investment Manager</b>	PURE Asset Management Pty Ltd (ACN 616 178 771)
<b>Investment philosophy</b>	PURE believes falling broker coverage is contributing to significant price/information dislocations within the Resources/Mining Services universe. We believe the strategy adopted by PURE's initial fund, the PURE Income and Growth Fund, is readily transferable to a resources industry lacking funding optionality. The tangible security of resource tenements, combined with the often asymmetric risk/return profile of a project, make PURE's investment methodology attractive for both investors and companies alike. We only invest in companies with a market capitalisation greater than \$10m, and where an opportunity exists to promote growth through a hybrid structure.
<b>Benchmark</b>	The Fund is managed on an absolute return basis and is benchmark unaware.
<b>Investment objectives</b>	The Fund's investment objective is to generate double digit returns over a 3-5 year investment cycle. Central to our capital preservation mindset, many of our debt investments will sit higher in the capital structure than equity.
<b>FlInvestments <sup>1</sup></b>	<p>The Fund will hold up to 50 positions and is able to invest in the following:</p> <ul style="list-style-type: none"> <li>• Equity securities</li> <li>• Corporate credit</li> <li>• Cash</li> <li>• Hybrid securities</li> <li>• Derivative securities i.e. options and warrants.</li> </ul> <p>Capital will only be deployed in situations we believe offer a compelling risk/reward opportunity. While we expect to be fully invested, cash allocations can range from 0-100% of the portfolio depending on market conditions.</p> <p>The allocation of the portfolio to Australian equities and warrants will be capped at 35% as an aggregate of the NAV of the Fund.</p>
<b>Minimum initial investment (AUD) <sup>2</sup></b>	\$50,000
<b>Investing</b>	<p>For the first investment in the Fund, a correctly completed Application Form received by the Unit Registry will receive the issue price of \$1.00.</p> <p>Subsequently, correctly completed Applications that are received before 2.00 pm by the Unit Registry on the last business day of a month will receive the Issue Price calculated for that day.</p>
<b>Access to funds</b>	<p>Investors may redeem some or all of their Units only with the express consent of the Trustee after the third anniversary of their investment by sending a Redemption Request to the Unit Registry provider. Payment of redemptions is made by deposit to the investor's nominated bank account.</p> <p>Correctly completed Redemption Requests that are received before 2.00 pm on the 28<sup>th</sup> day before the last business day of each calendar quarter will receive the Redemption Price calculated for that day.</p>
<b>Income distribution</b>	Distributions are paid semi-annually, in the months immediately following the end of each financial half year. Distributions may be reinvested or paid to the investor's nominated account.
<b>Valuation</b>	The Fund will be valued monthly on the last business day of the month. Units will be issued monthly and redeemed on a quarterly basis unless the Trustee decides to value the Fund more frequently.
<b>Management costs</b>	The management costs total 1.60% p.a. (incl. GST and RITC) of the NAV and are calculated and accrued monthly on the last business day of the month.
<b>Performance fee</b>	A performance fee of 20% p.a. (incl. GST and RITC) applies to amount by which the NAV exceeds the High-Water Mark. The Fund must also exceed a net 8% p.a. hurdle before a performance fee applies on performance above a net 5% p.a. Performance fees are calculated monthly on the last business day of the month and are paid quarterly in arrears.
<b>Fund expenses</b>	Expenses for the Fund such as custody, administration, legal and audit fees and other ordinary expenses for the establishment and operation of the Fund may be reimbursed from the Fund.
<b>Buy/Sell Spread</b>	Buy 0.35% / Sell 0.35% (excluding GST)
<b>Recommended minimum investment time frame</b>	Suggested minimum investment time frame is +4 years.

1. The actual allocation to all asset classes may vary from time to time whilst the Fund is being established or due to market conditions.

2. The Trustee may alter the minimum amounts specified at any time without prior notice to Unit Holders.

## About PURE Asset Management

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PURE Asset Management Pty Ltd (ACN 616 178 771) is the Fund's Trustee, issuer of this IM, and is also the Fund's Investment Manager.

The responsibilities and obligations of PURE as Trustee of the Fund are governed by the Fund's Trust Deed, as well as indirectly by general trust law.

PURE is a specialist boutique fund manager providing investors with access to proprietarily sourced deal flow. In its simplest form, we target investments in companies with attractive growth opportunities that require capital to execute. PURE will generally initiate an investment through a higher-ranking debt security, yet retain exposure to equity upside through warrants, options or other alternative conversion structures. Under such structures, the investor 'gets paid to wait' for the equity investment to mature. The Investment Team look for opportunities where our skill set assists the investment company in unlocking latent equity value. Our strategy is to work closely with portfolio companies, increase the broader market's awareness of the validity of the investment theses, and ensure the right projects have access to growth capital at the right time. In addition to alpha generation, our flexible mandate offers greater scope to protect capital. We strive to be the leading emerging resources fund in Australia.

### The Investment Team: alignment of interests

The Investment Team is substantially co-invested in both the Fund and in PURE. Bringing over 60 years' of cumulative experience spanning resources and financial markets for the benefit of Fund investors, the primary members of the investment team include:

#### Dan Porter

Commencing his career within chartered accounting, Dan has been an Equity Analyst with tier one global investment banks for over 15 years, working in both Sydney and London, where Dan was formerly a Director with UBS. Most recently Dan was the Head of Resources research with Wilsons Advisory, based in Sydney. Here Dan analysed resources companies, from early-stage exploration companies, to those breaking into production and larger cap miners. Dan has also covered the Engineering and Mining Services Sector for over ten years, including contract mining businesses, drillers and EPCM businesses.

Dan holds a Bachelor of Commerce and Bachelor of Economics.

#### Tim Callan

Tim is a co-founder of PURE and has over ten years' experience in both buy and sell side roles within financial markets. From 2011, he was a key member of the investment team at K2 Asset Management, progressing to Portfolio Management duties in 2012 within the K2 Australian Absolute Return, K2 Global High Alpha, and K2 Australian Small Cap Funds.

Prior to joining K2, Tim worked in Institutional Sales and Equity Research roles at Goldman Sachs. He also has an AFL background with a playing career spanning eight years with the Geelong and Western Bulldogs football clubs.

Tim holds a Bachelor of Commerce and a Masters of Applied Finance and Investment.

#### Nick Berry

Nick is a co-founder of PURE and has over 15 years' experience in financial markets as a sell-side equity analyst and Portfolio Manager.

Most recently, Nick was a Small Capitalisation Company Analyst at Petra Capital, a prominent Sydney based stock broking firm. In this role Nick was responsible for producing small companies research, and sourcing companies with significant growth optionality yet requiring the capital to execute.

Prior to Petra, Nick was an Executive Director at Nomura Australia. Throughout his career Nick has had direct coverage of Small Caps, Retail, Food and Beverage, Gaming, Transport, and the Telco sector.

Nick holds a Masters of Engineering.

#### Mike Henshaw

Mike is a co-founder of PURE and has a career spanning over 25 years in financial markets. He is also a co-founder of the Fairbairn Partnership, a corporate advisory business established to help companies develop their strategy, improve investor relations, or raise capital.

Prior to this role, Mike was the Head of Industrials Research and a member of the executive leadership team at Petra Capital. Throughout Mike's tenure, Petra Capital was involved in raising over \$2 billion to assist emerging Australian companies in their growth aspirations. He has worked in senior roles as a Portfolio Manager for the Thorney Investments family office and in several international organisations in London. Mike holds a Bachelor of Arts and has completed the General Manager Program at the UNSW Business School.

## About The Main Service Providers

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### Custodial Services

We have appointed Apex Fund Services Pty Ltd (Apex) as the Custodian and Fund Administrator for the Fund. Apex is part of the Apex Group, a global financial services provider offering a broad range of solutions including fund administration, custody, and corporate services.

As an outsourced custodian, Apex will be responsible for holding the assets of the Fund as an independent custodian. This may include the appointment of a Sub-Custodian to provide these services. Currently, J.P. Morgan is appointed as the Sub-Custodian by Apex Fund Services Pty Ltd.

In its role as Fund Administrator, Apex Fund Services Pty Ltd is responsible for assisting the Investment Manager in maintaining the Unit Trust's register of Unit Holders, arranging the issue, redemption, and valuation of units, preparing unaudited financial statements for the Unit Trust, and providing various other administrative services.

The Fund may terminate this Agreement upon 90 days' notice

### Registry Services

Unit Registry services for the Fund will also be provided by specialist registry provider Apex Fund Services.

Apex will be responsible for assisting PURE in maintaining the Fund's register of Unit Holders, for arranging the issue, redemption and transfer of units, general unitholder communication, and for providing certain other administrative services.

The Fund may terminate this Agreement upon 90 days' notice.



# About The Fund

## About

The Fund is a wholesale fund, or an unregistered managed investment scheme. In this structure, money invested in the scheme by all investors is pooled and used to buy investments, which are managed on behalf of all investors. PURE has day to day control over the operation of the Fund.

By investing in the Fund, investors can access opportunities not readily available to private investors, while utilising the specialist knowledge and skills of PURE. Transaction and other costs incurred by the Fund in buying and selling securities are likely to be reduced due to PURE's expertise in operating in Australian and overseas markets, rather than Investors doing so on their own behalf.

## Fund Overview

The PURE Resources Fund is a high conviction investment fund providing capital to emerging Metals and Mining, Energy, Mining Technology, and Mining Services companies through debt and equity investments. Our target investments consist of misunderstood opportunities which we believe can create material value for unitholders.

The Fund invests predominantly in ASX listed companies, yet prefer to enter an investment via debt securities. We will always retain equity upside, yet believe ranking higher in the capital structure and being 'paid to wait' offers superior risk-adjusted returns, particularly with emerging companies.

Our portfolio is built by transacting directly with companies after conducting significant due diligence. As a debt investor we are able to obtain far more insight and visibility than equity investors are afforded. With regards to Resource companies, examples may include information regarding future funding requirements, detailed tenement data, and potential offtake agreements. In addition, we are not competing on-market with other investors to establish meaningful positions and paying potentially inflated entry prices. If negotiated corporate terms fall short of our risk/return expectations, PURE will not invest. We believe this increases the likelihood of alpha generation, while providing greater capital preservation through the cycle.

The Fund expects to hold up to 50 investments in the portfolio when fully invested.

## Investment Objectives

The Fund aims to generate double digit returns over a 3-5 year investment cycle, with added focus on protecting investor capital. Income will be generated through higher ranking debt securities, while a carry into successful equity investments allows for further capital growth upside.

## Asset Allocation

PURE has the ability to invest in many asset classes on behalf of the Fund, the weightings of which will

fluctuate based on various factors. While ASX listed companies are a key feature of the Fund, mandate flexibility permits investments in other asset classes which at times we may consider a superior investment. This includes unlisted companies, hybrid securities and other derivatives, such as options and warrants. The Fund will not take short positions.

We believe this offers investors a more attractive risk/return proposition than if the Fund's investments were limited purely to listed equity securities.

Cash weightings in the Fund can range from 0-100% depending on our view of the market, with PURE considering the neutral cash position as 10-15%.

## Portfolio Construction

Up to 50 high conviction positions are held within the portfolio. Investment weightings are aligned with our conviction levels, with liquidity also taken into consideration.

Portfolio weightings are constantly re-assessed to ensure all investments remain in line with conviction levels. The investment team acknowledges the danger of 'confirmation bias' with any investment decision. For this reason, we continually challenge our theses to ensure they remain intact.

## Liquidity

We consider liquidity to be a key determinant of performance within emerging company investing. Our investment mandate allows cash to be managed in a flexible manner and can range from 0 – 100% of Fund assets.

In the ordinary course of business, PURE will fulfil monthly redemption requests out of liquid assets and available cash flow. Prospective investors must be aware of the potential limitations on their ability to withdraw from the Fund in certain market conditions. Neither the Trustee nor the Investment Manager provide any guarantee concerning the liquidity of the Fund or the ability of an investor to withdraw its investment.

## Gearing

The Fund will not use gearing.

## Borrowing and Cash Policies

It is not our intention to borrow money for the Fund other than to meet short-term liquidity requirements. Cash will be held in bank-backed and similar deposit products held on behalf of the Fund with Australian ADI's. This amount will not exceed 10% of Gross Asset Value.

## Derivatives and Hedging

The Fund may at times use derivatives such as put and call options to hedge commodity and currency exposures. Stock specific warrants feature in most company transactions, yet carry no contingent liability and are implemented to generate an absolute return.



# About The Fund

## Philosophy

PURE believes that a stronger risk-adjusted return can be achieved in the micro – small cap section of the equity market through convertible credit instruments rather than via direct equity investing. Structural changes in the small cap equity market such as reduced access to capital, lower liquidity, a lack of broker coverage and investment bank interest has resulted in many small companies falling off the radar. This has impacted their valuation, cost of equity and their ability to raise capital. PURE believes its ability to provide comparatively high-coupon debt in return for that debt to convert to equity creates an opportunity for an investment fund with a lower risk profile.

## Investment Approach

The investment style blends bottom-up research with a growth focus. Because investments are made via secured credit positions, we conduct due diligence on a company by company basis. The Fund has a bias towards growth companies. Top-down analysis forms only a limited part of the security analysis process to identify broader industry trends.

The portfolio primarily invests in listed micro and small capitalisation resources and mining services stocks with a realistic investible universe of \$10m - \$500m market cap. No exploration or pre-revenue R&D companies are considered.

Although the Fund has a broad mandate with regards to the types of securities it can hold, it is effectively limited to corporate credit facilities, hybrids, warrants or options, equity and cash.

## Investment Strategy

We prefer investment candidates that display strong sales growth characteristics, have no debt or senior secured debt, are operating cash flow positive or approaching it with capital support. Those cash flows should support a high single digit/low double-digit coupon, and there should be multiple options for capital preservation and/or debt recovery. Returns to investors are mainly derived from a split between income from coupon payments from loans, and capital appreciation from warrant, option and equity investments; as well as income from transaction origination fees, and income or capital appreciation from early loan redemption.

The Fund's target holdings are 80% in listed companies and 20% in unlisted/pre-IPO. Unlisted companies are less preferred given the reduced ability for PURE to compel an equity raise to return investor debt capital in the event an investment does not perform to expectations.

## Research

Investment ideas are generated from both internal and external sources. Internally, we use filters which include identifying companies which have underperformed since IPO, have backable founders / management teams, have solid resource backing and are in, or show strong potential for near term production. In Mining Services we look for those

showing material growth and which are exposed to structural growth sectors. In addition to its own contacts, PURE has developed relationships with external parties such as brokers and investor relations firms which are providing a growing source of investment ideas and deal-flow. We believe this is a strength as it has the potential to considerably broaden the scope of contacts within a sector that traditionally has very little research coverage and on-going participation by brokers.

Rigorous research is fundamental to the success of the investment strategy. Research consists of five stages:

**Step 1:** Brief screening of P&L and balance sheet to determine if the company is worth meeting. Factors screened for include strong revenue growth, positive operating cash flow, the existing debt profile of the business, the potential within the business, the stage of development and need for funding within the next 3 to 6 months. Approximately 80% of companies are eliminated at this stage.

**Step 2:** This step involves meeting with the company to confirm PURE's initial P&L/balance sheet observations are correct and to determine if the company wishes to access growth capital in the near term, is open to accessing that growth capital via PURE's convertible debt offerings, and is able to satisfy PURE's initial due diligence requirements to frame a high level investment proposal. A further approximately 5% of companies do not pass this step.

**Step 3:** PURE reviews initial short form due diligence on the company which typically includes a forecast model, and the build-up of sales forecasts, contribution by customer/client, sales conversion, and how the company has performed versus its conversion estimates historically. A further approximately 5% of companies are eliminated.

**Step 4:** PURE outsources technical, mining and geological review to its preferred mining consultancy. We will only partner with those firms we consider to be class leading in their fields, and who's values and investment understanding aligns with our own. At this stage the review is high level.

**Step 5:** PURE prepares a high-level two page term sheet with scenarios around cost of debt, warrant conversion premium range and the likely covenant to be applied for that particular investment. If all parties are aligned on their interest in the offer, PURE commences deeper due diligence. If all parties are not aligned on the offer, the process ends. Approximately 1-5% of companies do not progress past this stage.

**Step 6:** PURE completes detailed due diligence. In conjunction, industry specialists are contracted to provide an independent detailed mining and geological review. The company either passes this due diligence and the longer form term sheet is produced, negotiated and agreed, or the process terminates.

# About The Fund

## Due Diligence

Detailed due diligence is carried out on all aspects of the target company and includes the following broad topics:

- Investor communications: Current and previous investor comms;
- Corporate governance: Structure, constitution, shareholder agreements, licenses, director details, board meetings;
- Business matters: Business plan, sales and marketing, customers, suppliers;
- Financials and tax: Financial statements and projections, capex, R&D, auditor statements;
- Material agreements: Contracts, insurance policies, contingent obligations;
- Employment and labour: Org charts, staff projections, management capability, HR policies;
- Intellectual property: IP documentation, IP infringements;
- Real estate: Real estate owned, tenements, leases;
- Litigation and government regulation: Legal proceedings, obligations.
- Permits and approvals: Mining leases, water licenses, environmental approvals and native title.
- Geological surveys and resource statements: Our independent partners will perform this stage.
- Independent mining review: We take base data and have our independent experts perform a full review and mine plan using key inputs to derive our own valuation and benchmark review.

## Portfolio Construction

PURE is benchmark agnostic. At a security level, PURE targets approximate equal allocations to positions within the portfolio. At the overall portfolio level, the metrics governing allocations include:

- Average portfolio interest rate of 10%;
- Warrant coverage: target at least 100%;
- Warrant premium: 10 – 125%;
- Weighted average portfolio loan life of 2-3 years;
- No credit position greater than around 10% of committed capital at inception;
- Cash to be maintained at 10-15% of NAV;
- A hard cap of 35% of NAV being equity, warrants and/or options. This may be varied in unique circumstances in which PURE consider an amendment to be in the best interests of Unit Holders.
- At the individual security level, the weights given to individual investments are primarily determined by the level of credit deemed appropriate for the

company's balance sheet, contribution to overall portfolio constraints and by the position cap as a percentage of NAV.

## Risk Management

The primary risk managed at a portfolio level is that of a credit loss. Aside from exceptional circumstances, the Fund will rarely lend in cases where it is not the senior secured creditor. PURE will assess whether the company is capable of operating in the covenant structure required to secure its capital, which includes maintaining minimum cash balances, and continuously testing whether the company is meeting creditor payments in a timely fashion. We highlight that the credit assessment process is the key risk determinant for the Fund.

PURE operates a covenant structure designed to identify and rectify underperformance in a timely manner. A covenant 'waterfall' governs how the Manager responds to deteriorating performance or emerging problems. This process results in increasingly severe penalties being applied to the company relative to the degree of underperformance.

**Level 1 – Reporting Event:** If performance deviates from the relevant covenant metric by a set amount, the company must notify PURE of the underperformance. Rectification measures may be discussed, but no penalties are applied. Level 1 is designed to encourage early dialogue between PURE and the company.

**Level 2 – Review Event:** If performance deviates further from the relevant covenant metric in the model, a Review Event is triggered. This requires the company to remedy the problem, along with the onset of penalty interest, typically a 50% increase in the base interest rate.

**Level 3 – Default Event:** A Default Event is triggered if the company's performance deviates from the model by an amount PURE considers a material departure from the trajectory required. A Default Event renders the credit facility immediately due and payable at the election of PURE.

## Environmental, Social & Governance Statement

PURE conduct all activities with environmental and social considerations front of mind. Environmental and economic sustainability go hand in hand. PURE is acutely aware of this and operates within this reality.

All conduct within our industry reflects on industry reputation. This is paramount when new projects seek government approvals, and community attitudes can affect that process.

PURE lives the values of environmental, social and economic sustainability both privately and publicly. Any major environmental breach would constitute a Default Event.

In addition, PURE believes planning ahead for mine rehabilitation is not just good for the environment, but also for the future prospects of other mining projects and therefore the economic and social sustainability of our communities.

# About The Fund

## PURE's approach

Investing in Resources and Mining Services companies has historically been challenging. Many funds today exclude the sector.

We have developed a unique investment model to lay-off some of those risks and allow us to deploy funds into the sector with a mindset of capital preservation. We will continue to offer our unique, low risk Bond/Warrant structure, combining with a partnership model of leading industry experts.

This is not just about the process of identifying assets and opportunities, but how we invest money into the sector in the first place.

## The opportunity

The Resources sector provides a unique opportunity for investors, with equities rated at historic lows relative to commodity prices and the wider market more broadly. As the market for final stage development capex has dwindled, so too have larger institutions been more hesitant to fund smaller transactions.

## Portfolio strategy

Macro derived strategy allocation across the three sectors of metals and mining, energy (together Resources) and mining services, overlaying with our preferred commodity exposures. Those subsectors that have been identified provide differing commodity exposures, and sufficient diversification in our view.

We will conduct screening of the global sector universe by market listing, jurisdiction and key resource metrics (size, and grade).

## ASX Small Resource/Mining Services mandate

We will focus our investments on ASX listed companies, with assets in Tier 1 mining locations, including but not limited to Australia, New Zealand, Canada, Asia, the US and Europe. We will invest across the subsectors of metals and mining, energy and mining services. We will not invest in agriculture or other soft commodities, such as cannabis.

## Commodity selection front of mind

Selection of commodities is an important consideration, not just for cyclical, but for allocation of smaller credit investments. Some mining processes are simpler, with easy marketing and off-take arrangements; others complex.

## Focus on development funding

PURE focus on companies that are already producing and looking to expand. We will limit investments to companies that have:

- Identified resources.
- Pre-feasibility Study.
- Have a near term identifiable path to cash flow generation (1-18 months).

M&A, brownfield expansions and Bankable Feasibility Studies will be a key focus for the Fund.

## Active management approach

Unlike traditional funds which invest passively, PURE actively source companies to work with and unlock value. Fund investors can take comfort in the fact that we take ownership of our positions, roll up the sleeves, and actively help our investment companies improve. This can include defining ways to refine their IR messaging, strategic advice, assistance sourcing acquisition targets, providing growth capital, and introductions to new capital partners.

## Independent Analysis is core to our offering

We will incorporate technical experts into our investment approach. Where most resources funds in-house this, we believe the use of an independent 3<sup>rd</sup> party review adds another element of security to our investment discipline. If the resource doesn't stack up geologically or from an infrastructure perspective, we are not going to "fall in love" with a resource. We want to know the cold hard facts, and our approach allows us to take raw data and apply our own judgements to it. We believe this is where many have gone wrong in the past.

## Application of 3rd party technical assistance

We will look for assistance in the following areas:

- strategy and project development advice.
- geology and technical analysis.
- resource / reserve estimation and evaluation.
- mine planning and optimization.
- geotechnical engineering.



INITIAL  
DISCUSSIONS



DESKTOP  
REVIEW



INDICATIVE  
TERM SHEET



DUE  
DILIGENCE



INDEPENDENT  
EXPERT  
ANALYSIS



BINDING  
TERMS SHEET



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DOCUMENTATION



LOAN  
APPROVAL

# Managing Risks

## Key Risks

Some of the things that may cause the Fund's value to move up and down are summarised below. These risks are not exhaustive. In addition, we do not offer advice that takes into account your personal financial situation, including advice about whether the Fund is suitable for your circumstances.

## General Investment Risks

All investments carry risks. Different investment strategies may carry different levels of risk, depending on the assets acquired under the strategy. Assets with the highest long-term returns may also carry the highest level of short-term risk. The significant risks below should be considered in light of your risk profile when deciding whether to invest in the Fund. Your risk profile will vary depending on a range of factors, including your age, the investment time frame (how long you wish to invest for), your other investments or assets and your risk tolerance.

### Investment return risk

Past performance is no guarantee of future performance. As PURE is an active manager, there is a risk that the Fund may underperform compared with its investment objectives or with the market.

### Volatility

Investing in resources markets can be volatile from month-to-month, given the number of external factors impacting performance (commodity prices, FX, weather etc). While our approach looks to de-risk that process, investors should be aware that returns can be more volatile than for other sectors.

### Market risk

Returns of the Fund will be affected by the performance of the investments chosen for the Fund, which may in turn, be affected by the performance of the investment markets generally. This risk, related to market performance, includes demand and supply in the market and economic and regulatory conditions, including market sentiment, inflation, interest rates, employment, political events, environmental and technological issues, and customer demands.

### Commodity price risk

As a Fund investing in resource companies and projects, the value of both debt and equity instruments may be impacted by price movements in various underlying commodities. There is a risk that such movements will impact specific investments made by the Fund, and in turn impact the broader portfolio.

### Credit risk

The value of debt securities may be impacted by the issuer's ability to pay interest and principal owed as they become due. If there is a negative perception of the issuer's ability to meet its payment obligations, the value of the debt security may decrease.

### Liquidity risk

The Investment Manager does not guarantee the

liquidity of the Fund's investments, repayment of capital or any rate of return or the Fund's investment performance. The value of the Fund's investments will vary. Returns are not guaranteed, and you may lose money by investing in the Fund. The level of returns will vary, and future returns may differ from past returns. Laws affecting managed investment schemes may change in the future. The structure and administration of the Fund is also subject to change.

Some investments may not be easily converted into cash with little or no loss of capital and minimum delay, because of insufficient availability of buyers, suspension of trading on request from the market regulator or the entity involved, fund outflows, or disruptions in the marketplace.

Securities of small entities held in the portfolio may become less liquid, and especially in times of falling markets.

### Interest rate risk

This refers to the risk that the market value of the investments of the Fund can change due to changes in interest rates. The market value of fixed interest securities can fluctuate significantly with relatively small changes in interest rates.

### Counterparty risk

A counterparty to a contract may fail to meet their obligations under it, causing loss to the Fund. This potentially arises with various unlisted investments including options, warrants and convertible notes.

### Derivative risk

Because the Fund may use derivative instruments such as warrants and options, that are contracts between two parties that usually derive their value from the price of an underlying physical asset or market index, the investment movements may be more volatile than if a Fund is invested solely in equities or bonds. Derivatives can be used to manage risks, but may expose the Fund to other risks. This means that the use of derivatives can lead to higher gains or losses than a portfolio that does not use derivatives. A derivative may involve gearing, that is, liability for a loss from a change in price of a security, currency or index which exceeds the amount of cash or assets initially required to establish the derivative.

### Entity risk

The Fund's investment in a listed entity may be affected by unexpected changes in that entity's operations or business environment, including the risk that the entity may become insolvent. If this occurs the Fund may receive a smaller or no return from, or it may lose, its investment in the entity.

### Concentration Risk

The Fund's investments are concentrated in the Resources Sector. Depending on the number of positions, performance of the sector, and performance of individual companies, there is a risk that this concentration may lead to increased volatility and poor investment performance.



# Managing Risks

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## Other General Risks

### Service provider risk

You could be adversely affected if any of the various parties involved in the operation of the Fund, including us, or service providers fail to perform their obligations. This could impact your returns or the ability to withdraw your funds. We actively monitor and review the performance of all key service providers in performing their agreed contractual arrangements.

### Operational Risk

This is the risk of technological or process failure or impacts from the wider financial market in general. This could impact your returns or the ability to withdraw your funds.

### Personnel Risk

The Fund relies heavily upon PURE to execute the investment strategy to deliver the targeted returns. Despite the investment strategy being applied as outlined, there is no certainty that the PURE will produce the intended result.

### Regulatory and tax risk

Fund performance may be affected by regulatory changes and changes to tax legislation in Australia which could have an impact on the value of your investment.

### Cyber Risk

The prevalence of Cyber threats is a material consideration for PURE. While Cyber Insurance is in place, and Cyber protocols such as two-factor authentication are implemented, there is no certainty that PURE will not be subjected to targeted Cyber-attacks.

### Redemption risk

This is the risk that the Fund cannot make redemption payments on time. This is due to a mismatch between the maturity profile of the investments and the amounts required to meet redemptions. We have the right to defer redemptions, switches and transfers if we believe the realisation of assets to meet the redemption is not practicable, would be materially prejudicial to all investors, or is not desirable for the protection of the Fund.

# Investing in the Fund

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## Making an application

The minimum initial application is \$50,000. We may waive or increase the minimum application amounts at our discretion. Application money is deposited into a non-interest bearing account, pending processing.

To invest, please complete and sign the Application Form accompanying this IM.

The duly completed Application Form, together with the relevant certified identification documents, must be mailed to the Unit Registry via the following postal address:

PURE Asset Management  
C/- Apex Fund Services  
GPO BOX 4968  
Sydney NSW 2001

The first Units in the Fund will be issued after the receipt by the Unit Registry of a correctly completed Application Form. After the first application, correctly completed Application Forms must be received by the Unit Registry before 2 pm on the last business day of a month to receive the Issue Price applying for that month.

## Investment Method

Your initial investment amount may be made by:

- Electronic Funds Transfer or Direct Deposit to the application account details provided in the application form.

Please note the application cannot be processed until cleared funds are received. Cash cannot be accepted.

Indirect Investors should use the application form attached to their IDPS Guide to invest in the Fund. You will need to contact your IDPS Operator for the cut-off times for pricing purposes and investment amounts.

PURE reserves the right to refuse any application without giving a reason. If for any reason PURE or the Unit Registry refuses or is unable to process your application to invest in the Fund, the Unit Registry will return your application money to you, subject to regulatory considerations, less any taxes or bank fees in connection with the application. You will not be entitled to any interest on your application money in this circumstance.

## Valuation of the Fund and application price of Units

The first Units in the Fund will be issued at \$1.00. From then on, the Issue Price will change from time to time as the market value of the Fund's assets rises or falls. Each Unit is a proportional interest in the the Fund, having regard to the total number of issued Units.

The value of Units is determined by dividing the Net Asset Value for the Valuation Date by the number of Units on issue, adjusted for transaction costs of 0.35% of application proceeds (excluding GST).

Securities usually are valued at the closing price on the securities exchange on which they are listed. Any income entitlement or cash held for the Fund and any amount of Goods and Services Tax (GST) recoverable by the Fund from the Australian Taxation Office (ATO) are also included in the value of Fund's assets and used to calculate the value of Units. Generally, the Fund's liabilities are valued at cost.

The Fund will be valued monthly on a Valuation Date being the last business day of the month. Units will generally be issued following the fifth business day after the Valuation Date using the value calculated for that Valuation Date, although PURE has the discretion to value the Units more frequently where it so decides.

Following acceptance of an application PURE, application money will be held in an account maintained by the Unit Registry pending issue of Units in the Fund after the next occurring Valuation Date.

## Classes of units

All investors investing on the basis of this IM will be issued units in the Foundation class of units.



# Redeeming from the Fund

## Making a redemption

Unitholders may withdraw their investment by written request either by:

- Email to [registry@apexgroup.com](mailto:registry@apexgroup.com)  
Attn: PURE Asset Management

or

- Mail to:  
PURE Asset Management  
C/- Apex Fund Services  
GPO BOX 4968  
Sydney NSW 2001

If you are an Indirect Investor, you need to provide your redemption request directly to your IDPS Operator. The time to process a Redemption Request will depend on the particular IDPS Operator.

## Redemption Price

The Redemption Price of a Unit in the Fund is based on the NAV of the Fund divided by the number of Units on issue as calculated for the Valuation Date applying to the redemption.

Redemption Requests received by the Unit Registry before 2 pm on the 28<sup>th</sup> day before the last business day of each calendar quarter will receive the Redemption Price for that quarter.

The NAV per Unit can be reduced by PURE to make an allowance for the transaction costs required for selling investments which is known as the Sell Spread. At the date of this IM, the Sell Spread is 0.35% (excluding GST). Refer to 'Fees and other costs' on page 15 for additional information on the Sell Spread.

For in specie transfers of assets out of the Fund, a nil or reduced Sell Spread may be applied to reflect the actual costs incurred by the Fund. The investments of in specie transfers will be valued on the date the Units are redeemed. All costs including any applicable duties and levies, incurred as a result of the transfer will be payable by the Unitholder.

Redemption Requests accepted by PURE will not receive any rebate of performance accruals.

## Access to funds

Units may not be redeemed for the first three years after investment.

After this period, where PURE has provided its consent to the redemption of Units, correctly completed Redemption Requests that are received by us by 2.00 pm 28 days before the last business day of each calendar quarter will receive the Redemption Price applying for that quarter.

Units will generally be redeemed following the fifth business day after the Valuation Date using the value calculated for that Valuation Date, although PURE has the discretion to value the Units more frequently where it so decides.

In the ordinary course of business, PURE will fulfil redemption requests out of liquid assets and available cash flow. In the unlikely instance redemptions cannot be met, Unit Holders will be notified of a requirement to provide a 30 business day notice period, with the unit holder receiving the price as at the end of that calendar quarter. Unit Holders may redeem a maximum of 20% of their peak unit holding at each redemption date, subject to an aggregate amount of 10% of the Net Asset Value per quarter. In the case redemptions exceed 10%, a pro-rata calculation will apply and any unfilled redemption amount cancelled. Unfulfilled redemptions will not be carried forward to the following quarter and are a new redemption request must be submitted for subsequent redemptions. PURE may waive such restriction either partially (by determining a higher percentage) or in its entirety, subject to prudent levels of liquidity within the Fund.

The Trust Deed allows the Trustee to delay making payments for a Redemption Request in unusual circumstances, such as when the Trustee is unable to satisfy a Redemption Request due to suspended trading in the market.

PURE will refuse to comply with any Redemption Request if the requesting party does not satisfactorily identify themselves as the Unit Holder. Redemption payments will not be made to third parties (including authorised representatives) and will only be paid directly to the Unit Holder's bank account held in the name of the Unit Holder at a branch of an Australian domiciled bank.

## Other Investor Information

### Distributions

A Distribution comprises a Unit Holder's share of any distributable income or realized gain earned by the Fund. A Unit Holder's share of any distributable income is generally based on the number of Units held by the Unit Holder at the end of the distribution period. Distributions will take place semi-annually.

Generally, the income entitlements of Unit Holders of the Fund are distributed within 30 days after the date they are determined, although the distribution may take longer (for example, if there is a delay in completing an audit).

As a Unit Holder in the Fund, you can:

- have your distribution reinvested back into the Fund in which you have invested; or
- have your distribution directly credited to your nominated bank account.

If you do not make an election, your distribution will automatically be reinvested and will be taken to be received prior to the next valuation time after the relevant Distribution period.

### Indirect Investors

Indirect Investors who access the Fund through an IDPS will receive reports directly from the IDPS Operator and will not be direct Unit Holders. PURE will provide the reports described above to relevant IDPS Operators. Indirect Investors should refer to their IDPS Guide.

### Appointment of authorised representative to operate account

Unit Holders may elect to appoint an authorised representative to operate their account. The relevant sections on the Application Form need to be completed, including the name and signature of the authorised representative, the signature of the Unit Holder and the date. Only Unit Holders can appoint authorised representatives. If you appoint an authorised representative, we suggest that you ensure that:

- they cannot appoint another nominee; and
- the appointment lasts until cancelled by you in writing or by the Trustee.

If PURE determines that the circumstances require, we may cancel an appointment by giving the Unit Holder 14 days' notice in writing. If an appointment is cancelled, we will not be obliged to act on the instructions of the authorised representative. If the instructions are varied, PURE will act only in accordance with the varied instructions.

By completing and lodging the relevant sections on authorised representatives on the Application Form you release, discharge and agree to indemnify the PURE from and against any and all losses, liabilities, actions, proceedings, account claims and demands arising from PURE acting on the instructions of your authorised representative.

You also agree that any instructions of your authorised representative to PURE, which are followed by us, shall be a complete satisfaction of the obligations of PURE, notwithstanding any fact or circumstance, including that the instructions were made without your knowledge or authority. You agree that if the authorised representative's instructions are followed PURE, you and any person claiming through or under you shall have no claim against PURE for the instructions.

### Powers of an authorised representative

An authorised representative can, among other things:

- apply for additional investment Units;
- request that distribution instructions be altered;
- change bank account details,
- withdraw all or part of your investment; and
- enquire as to the status of your investment and obtain copies of statements.

Redemption Payments will not be made to third parties.

If a company is appointed as an authorised representative, the powers will extend to any director and authorised officer of the company. If a partnership, the powers will extend to all partners.

Regular reports are provided to Unit Holders in the Fund. These reports comprise:

- Annual Report including financial statements will be sent to investors after 30 September each year.
- Transaction Reports confirming all investments, redemptions and distributions (issued following transactions and on request).
- Distribution Statements – issued in line with distribution frequency, notifying you of the value of your investment, income from investments and confirming the reinvestment or payment to your nominated account.
- Tax Statements issued annually, providing Unit Holders with taxation information including a detailed summary of the components of any Distributions.

You can contact the Investment Manager for updated information on performance, Unit prices, Fund size and other general information about the Fund by emailing: [contact@puream.com.au](mailto:contact@puream.com.au)

## Other Investor Information

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### Enquiries and Complaints

PURE seeks to resolve complaints over the management of the Fund to the satisfaction of Unit Holders. If a Unit Holder wishes to lodge a formal complaint, please contact us on:

1300 133 451 within Australia or +612 8259 8888 from outside Australia

or by emailing: [registry@apexgroup.com](mailto:registry@apexgroup.com)

Attn: PURE Asset Management

The Trustee will seek to resolve any complaint and will respond within 14 days of receiving the complaint.

### Fees to Financial Advisors and IDPS

Additional fees may be payable by you to your financial adviser. The Statement of Advice issued by your financial adviser will set out details of those additional fees. We do not pay any commissions to financial advisers. If you invest in the Fund via an IDPS, additional fees may be charged by the IDPS operator for investing in the Fund.

### Indirect Investors

You may be able to invest indirectly in the Fund via an IDPS by directing the IDPS Operator to acquire Units on your behalf. If you do so, you will need to complete the relevant forms provided by the IDPS Operator. This will mean that you are an Indirect Investor in the Fund and not a Unit Holder of the Fund. Indirect Investors do not acquire the rights of a Unit Holder as the rights are acquired by the IDPS Operator who may exercise, or decline to exercise, these rights on your behalf.

If you invest through an IDPS, your rights and liabilities will be governed by the terms and conditions of the IDPS Guide.

Indirect Investors do not receive reports or statements from us and the IDPS Operator's application and withdrawal conditions determine when you can direct the IDPS Operator to apply or redeem.

# Fees and Costs

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## Management costs

The management costs are inclusive of investment management and Trustee fees.

The management costs are calculated and accrued monthly on the last business day of the month based on the NAV of the Fund and are reflected in the Unit price of the Fund. Management costs do not include the performance fee, expenses or transaction costs.

The management costs applicable to Units in the Fund are currently 1.60% p.a. of the NAV of the Fund, inclusive of GST less RITC.

## Performance Fee

A performance fee of 20% p.a. (incl. GST and RITC) applies to the amount by which the NAV exceeds net performance of 5% per annum. In order to crystallise a Performance Fee, the Fund must also exceed a net 8% annualised Hurdle and ensure the NAV is above the most recent High-Water Mark. This means that if the Fund underperforms during a performance period, the underperformance must be recovered before a performance fee is payable.

Performance fees are calculated monthly on the last business day of the month and are paid quarterly in arrears.

## Fund expenses

We have the right to recover all proper expenses incurred in managing the Fund and as such these expenses may increase or decrease accordingly.

Expenses relating to the Fund include custody fees, administration fees, audit fees and other ordinary expenses related to the establishment and operation of the Fund may be reimbursed from the Fund.

We may also recover abnormal expenses (such as the costs of Unit Holders' meetings, legal advice/proceedings and other irregular expenses). The Trust Deed does not place any limit on the amount of the abnormal expenses that can be paid from the Fund.

## Differential fees

PURE may from time to time negotiate a different fee arrangement (by way of a rebate or waiver of fees) with certain wholesale investors.

## GST and Taxes

All government taxes such as stamp duty and GST will be deducted from the Fund as appropriate. Relevant tax information is provided in the 'Taxation' section. RITCs will also be claimed by the Fund where appropriate to reduce the cost of GST to the Fund.

## Buy/Sell Spread

The Fund may incur transaction costs. These transaction costs include brokerage, settlement costs (including custody costs), clearing costs and stamp duty.

The Buy/Sell Spread reflects the estimated transaction costs associated with buying and selling the assets of the Fund when investors invest in, or redeem from, the Fund. The Buy/Sell Spread is an additional cost to the investor but is included in the Unit price and incurred when an investor invests in or withdraws from the Fund. The Buy/Sell Spread is paid into the Fund and not retained by the Trustee.

At the date of this IM, the Buy/Sell Spread for the Fund is 0.35% (excluding GST) which equates to \$3.50 (excluding GST) for an investment or redemption of \$1,000.

The exact amount of transaction costs is dependent on a number of different variables, including the level of trading undertaken by the Fund.

## Can the fees change?

All fees can change without Unit holder consent, subject to the maximum fee amounts specified in the Trust Deed of the Fund. Reasons might include changing economic conditions and changes in regulation.

We will generally provide Unit Holders with at least 30 days' notice of any proposed change to the Trustee fee. Expense recoveries and Buy/Sell Spreads may change without notice, for example, when it is necessary to protect the interests of existing Unit Holders and if permitted by law.

Expense recoveries and Buy/Sell Spreads may change without notice, for example, when it is necessary to protect the interests of existing Unit Holders. The Trust Deed in some circumstances defines the maximum fees.

# Taxation

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The taxation information in this IM is of a general nature and is current as at its date. This information provides a general overview of the tax implications for Australian tax resident Investors that hold their units on capital account. The application of these laws depends on the individual circumstances of the Investor. The following comments should not be regarded as tax advice and it is recommended that Investors should obtain independent professional tax advice about their specific circumstances. This section applies to Australian resident Unit Holders only.

## Taxation of the Fund

The Fund is an Australian resident trust estate for Australian tax purposes. Under the Constitution, where Unit Holders are entitled to all of the distributable income of the Fund for a financial year, the Fund itself should not be liable for income tax. The taxation liability for the taxable income of the Fund will rest with the Unit Holders. However, if for any reason there is taxable income to which no Unit Holder is presently entitled, the Fund will be taxed at the highest marginal tax rate for that income.

If the Fund makes a loss for Australian tax purposes, the Fund cannot distribute the loss to Unit Holders. However, subject to the Fund meeting certain conditions, the Fund may be able to take into account the losses (including to the extent the Fund has carried forward capital losses) to offset against income or capital gains (as appropriate) in subsequent years.

On the basis that the Fund carries on an eligible investment business it is not a "public trading trust" and will not be taxed as a corporate entity.

## Distributions

Where a Unit Holder is presently entitled to a share of the Fund's income for a financial year, the Unit Holder will be liable to tax on their proportional share of the taxable income of the Fund. Investors will be assessed on their proportionate share of the Fund's net taxable income in the financial year for which their entitlement to the distributable income arises, even though it may not have been received in that financial year.

Distributions from the Fund may comprise different components including interest, dividends, net capital gains, other income, franking credits, foreign income, foreign income tax offsets and tax-deferred amounts.

For Unit Holders who hold Units on capital account, the tax-deferred income should not form part of their assessable income in the year that the tax-deferred distribution is paid. Instead, the Investor's cost base in the units will be reduced by the tax-deferred amount and may affect the CGT position of the investment. However, for those Unit Holders who have a zero cost base in their units, or where the tax-deferred distribution exceeds the cost base of their investment, any tax-deferred amounts received should be treated as a capital gain of the Unit Holder. Investors should maintain records of their cost base and adjustments.

Distributions of income reinvested in further units are treated the same way as cash distributions.

## Franking Credits

Where the Fund receives franked dividends, the taxable net income of the Fund includes franked dividends and attached franking credits. A credit for these amounts may be available in calculating Unit Holders' tax liabilities, depending on their specific circumstances and subject to various integrity rules, including the 45-day holding period rule. Excess franking credits may be refundable to certain resident individuals and complying superannuation entities or, in certain cases, may generate tax losses for corporate entities.

## Disposal or Redemption of Units

Unit Holders must include any realised capital gain or loss on disposal or redemption of their Units (together with any capital gain distributed by the Fund) in calculating their net capital gain or loss for a financial year.

The Fund may determine that part of the Redemption Price of a unit represents a distribution of income for tax purposes for the financial year. Where the Redemption Price includes a distribution of income, any capital gain made by the Unit Holder on disposal is reduced by the taxable income amount included in the Unit Holder's assessable income.

A net capital gain will be included in a Unit Holder's assessable income. A net capital loss may be carried forward by the Unit Holder to be offset against capital gains of the Unit Holder in subsequent years (subject to the Unit Holder meeting certain conditions) but may not be offset against ordinary income.

In calculating the taxable amount of a capital gain, a discount of one-half for individuals and trusts or one-third for superannuation entities may be allowed where the units have been held for 12 months or more.



## Other Important Information

### Other matters

The Fund is unlikely initially to qualify as a Managed Investment Trust (MIT) on the basis that it will not satisfy the 'widely held' requirements. As such, the Fund is not eligible to make the election for treatment of the disposal of certain covered assets on capital account until it does satisfy this test. Gains and losses realised on disposal of assets will be subject to ordinary concepts.

If the Fund qualifies as a MIT in a subsequent year, and it also satisfies the additional Attribution MIT (AMIT) requirements, the Trustee intends to make an irrevocable election to apply the AMIT tax legislation. The AMIT legislation applies an attribution model whereby the Trustee attributes amounts of trust components of a particular character to investors on a fair and reasonable basis, consistent with the operation of the AMIT's constitution.

The Taxation of Financial Arrangements ('TOFA') rules may apply to certain "financial arrangements" held by the fund. This means that returns on certain financial arrangements may be recognised on an accruals basis, rather than a realisation basis.

The Goods and Services tax (GST) is not applied to the application for or redemption of units. However, GST generally applies to the Fund's management fees and expenses. The Fund is entitled to claim Reduced Input Tax Credits at the prescribed percentage from the ATO for part of the GST paid.

An Investor is not required to quote their Tax File Number ('TFN') or Australian Business Number ('ABN'). However, if the Unit Holder is an Australian resident for taxation purposes and a TFN or ABN is not provided, or an exemption is not claimed, we are required to withhold tax at the highest marginal rate, plus the Medicare levy, from Fund distributions.

### Cooling off period

No cooling off period applies to units offered under this IM as you must be a Wholesale Client to invest in the Fund.

### Unit Holder's liability

The Trust Deed provides that unless there is a separate agreement with a Unit Holder, no Unit Holder can be called on to contribute to the assets of the Fund or to its creditors if the Fund is liquidated or becomes insolvent. As a result, it is expected that Unit Holders will not be under any obligation if a deficiency in the assets of the Fund was to occur. However, this view has not been fully tested in court and so it is not possible to give an absolute assurance that a Unit Holder's liability will be limited in all circumstances.

In general, the liability of a Unit Holder is limited to the amount (if any) which remains unpaid in relation to their subscription for Units and certain amounts in respect of tax. The Trustee is permitted to deduct certain amounts owed to the Trustee from amounts payable to Unit Holders.

### Non-listing of Units

The Units of the Fund are not listed on any stock

exchange and no application will be made to list the Units of the Fund on any stock exchange.

### Termination of the Fund

PURE may resolve at any time to terminate, liquidate and wind up the Fund in accordance with the Trust Deed. The Fund may otherwise terminate if required by law. Notice will be provided to Unit Holders advising of the Fund's termination. Upon termination and after conversion of Fund assets into cash and payment of, or provision for, all costs and liabilities (actual and anticipated), the net proceeds will be distributed pro-rata amongst all Unit Holders according to the number of Units they hold in the Fund.

### Our legal relationship with you

You will receive Units within five business days of the relevant monthly valuation being finalised. Subject to the rights, obligations and liabilities of any unit class, each Unit represents an equal proportionate beneficial interest in the assets of the Fund as a whole subject to liabilities, but does not give you an interest in any particular assets or property of the Fund.

PURE's responsibilities and obligations, as the trustee of the Fund, are governed by the Trust Deed as well as indirectly by general trust law. The Trust Deed contains a number of provisions relating to the rights, terms, conditions and obligations imposed on both the Trustee and Unit Holders.

Some of the provisions of the Trust Deed are discussed elsewhere in this IM. Other provisions relate to a Unit Holder's rights under the Trust Deed, and include:

- a Unit Holder's right to share in any Fund income, and how we calculate it;
- what you are entitled to receive when you withdraw or if the Fund is wound up;
- a Unit Holder's right to redeem from the Fund - subject to the times when we can cease processing redemptions - such as if the Fund becomes 'illiquid';
- the nature of the Units and the ability to issue classes of Units - identical rights attach to all Units within a class; and
- a Unit holder's rights to attend and vote at meetings.

There are also provisions governing our powers and duties, including:

- how we calculate Unit prices, the maximum amount of fees we can charge and expenses we can recover;
- when we can amend the Trust Deed - generally we can only amend the Trust Deed where we reasonably believe that the changes will not adversely affect Unit Holders' rights. Otherwise the Trust Deed can only be amended if approved at a meeting of Unit Holders;
- when we can retire as the Trustee of the Fund;
- when we can be removed as the Trustee of the Fund; and



## Other Important Information

- our broad powers to invest, borrow money and generally manage the Fund - we do not currently intend to borrow funds to acquire assets for the Fund, although this is permitted under the Trust Deed of the Fund.

The Trust Deed also deals with our liabilities in relation to the Fund and when we can be reimbursed out of the Fund's assets, for example:

- we are not liable for acting in reliance and good faith on professional advice;
- we are not liable for any loss unless we fail to act in good faith or we act negligently; and
- we can be reimbursed for any liabilities we incur in connection with the proper performance of our powers and duties in respect of the Fund.

Our responsibilities and obligations as the Trustee of the Fund are governed by the Trust Deed as well as under general trust law, which generally require that we:

- act in the best interests of Unit Holders and, if there is a conflict between Unit Holders' interests and our own, give priority to Unit Holders;
- ensure the property of the Fund is clearly identified, held separately from other funds and our assets, and is valued regularly; and
- ensure payments from the Fund's property are made in accordance with the Trust Deed.
- holders' interests.

Copies of the Trust Deed are available, free of charge, on request from the Trustee.

### Indemnity

PURE, as the Trustee, is indemnified out of the Fund against all liabilities incurred by it in properly performing or exercising any of its powers or duties in relation to the Fund. To the extent permitted by the law, this indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Trustee. The Trustee may retain and pay out any monies in its hands all sums necessary to affect this indemnity.

### Related party transactions

PURE and its associates are entitled to enter into or be interested on their own account in any transactions entered into on behalf of the Fund or with any company or body in which the Fund is invested or who provides services to the Fund. Any such transactions will be on arms-length commercial terms. PURE and its associates are also permitted to hold Units in the Fund in any capacity.

### Privacy Statement

The Privacy Act 1988 (Privacy Act) and the Australian Privacy Principles regulate the way organisations collect, use, disclose, keep, secure and give people access to their personal information. We may collect personal information about you and individuals associated with you in order to provide products and services to you, and to ensure compliance with legal

and regulatory obligations (including under the Corporations Act, the AML Legislation and tax related legislation).

### Direct Investors

You must ensure that all personal information which you provide to us is true and correct in every detail, and should those personal details change it is your responsibility to ensure that you promptly advise us of the changes in writing. If you do not provide the information requested we may not be able to process your application, administer, manage, invest, pay or transfer your investment(s). We may also obtain or confirm information about you from publicly available sources in order to meet regulatory obligations.

By completing the Application Form, you agree to us:

- collecting, holding and using your personal information to process your application as well as administering and managing the Fund. This includes managing data, monitoring, auditing and evaluating the Fund, communicating with you and dealing with any complaints or enquiries;
- disclosing your personal information to other members of our corporate group or to third parties in Australia or offshore which provide services in connection with the Fund, for example:
  - financial advisers or dealer groups, their service providers and/or any joint holder of an investment; and
  - the Unit Registry, Fund Administrator, auditors, or those that provide mailing or printing services.

We take reasonable steps to ensure that all third parties with whom we have a contractual relationship or other influence comply with the Australian Privacy Principles.

- using your personal information to offer PURE investment products or services that may be of interest to you unless you request us not to. We will not sell your personal information to other organisations to enable them to offer products or services to you;
- disclosing your personal information to other parties if you consent or if we believe that the law requires or permits us to do so, or to any person proposing to acquire an interest in our business, provided they agree to treat your information in accordance with the Privacy Act.

Under the Privacy Act, you may request access to any of your personal information that we hold. And contact us to make a request relating to the privacy of your personal information using the contact details provided in this IM. PURE's privacy policy can be found at [www.puream.com.au/privacy](http://www.puream.com.au/privacy).

## Other Important Information

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### Indirect Investors

We do not collect or hold any personal information about you in connection with your investment in the Fund. You should contact your IDPS Operator for details on collection, storage, use and disclosure of personal information.

### Anti-money laundering, counter-terrorism financing

PURE is required to collect certain customer identification information (and verify that information) in compliance with AML Legislation before it can issue Units to you. We may refuse to accept and Application Form or decline to issue Units to you until we have satisfactory concluded our customer identification procedures. PURE may also compulsorily redeem any Units, or may delay or refuse any request or transaction, including by suspending the issue or redemption of Units, if PURE believes that the request or transaction may cause us to contravene AML Legislation. PURE will incur no liability to you if it does so.

We may, from time to time, be required to contact you to request additional information for identification or verification purposes. By applying for Units, you agree to the following:

- you will supply, or procure the supply of, any documentation and other evidence and perform any acts to enable us to comply with AML Legislation at our reasonable request;
- if we suspect that you are in breach of AML Legislation applicable in Australia elsewhere, all we believe we are required to take action under AML Legislation or any applicable law in Australia or elsewhere, we may take any action we consider appropriate, including redeeming your Units and refusing or ceasing to provide you with services, in order to comply with any laws relating to AML Legislation or any request of the relevant regulatory authority; and
- we may, in our absolute discretion, with or without notice to you, disclose or otherwise report the details of any transaction or activity, or propose transaction or activity, in relation to the Fund (including any personal information as defined in the Privacy Act that you may have provided to us) to any reporting body authorised to accept reports under AML Legislation applicable in Australia or elsewhere.

## Foreign Account Tax Compliance Act ('FATCA')

In April 2014, the Australian Government signed an intergovernmental agreement with the United States of America ('U.S.'), which requires all Australian financial institutions to comply with the FATCA Act enacted by the U.S. in 2010.

Under FATCA, Australian financial institutions are required to collect and review their information to identify U.S. residents that invest in assets through non-U.S. entities. This information is reported to the Australian Taxation Office ('ATO'). The ATO may then pass that information onto the U.S. Internal Revenue Service.

In order to comply with the FATCA obligations, we may request certain information from you. Failure to comply with FATCA obligations may result in the Fund, to the extent relevant, being subject to a 30% withholding tax on payment of U.S. income or gross proceeds from the sale of certain U.S. investments. If the Fund suffers any amount of FATCA withholding and is unable to obtain a refund for the amounts withheld, we will not be required to compensate unitholders for any such withholding and the effect of the amounts withheld will be reflected in the returns of the Fund.

## Common Reporting Standard ('CRS')

The CRS is a standardised set of rules developed by the Organisation of Economic Co-operation and Development that requires certain financial institutions resident in a participating jurisdiction to document and identify reportable accounts and implement due diligence procedures. These financial institutions will also be required to report certain information on reportable accounts to their relevant local tax authorities.

Australia signed the CRS Multilateral Competent Authority Agreement and has enacted provisions within the domestic tax legislation to implement CRS in Australia. From 1 July 2017, Australian financial institutions need to document and identify reportable accounts, implement due diligence procedures and report certain information with respect to reportable accounts to the ATO. The ATO may then exchange this information with foreign tax authorities in the relevant signatory countries.

To comply with the CRS obligations, we may request certain information from you. Unlike FATCA, there is no withholding tax that is applicable under CRS. However, penalties may apply for failing to comply with the CRS obligations.

# Dictionary

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**Application Form** - The application form used by investors who wish to subscribe for Units in the Fund and accompanying this IM.

**AML Legislation** - Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth), Financial Transaction Reports Act 1988 (Cth) and any similar legislation and regulations, as amended from time to time.

**ASIC** - Australian Securities and Investments Commission.

**ASX** - Australian Securities Exchange.

**business day** - A day other than a Saturday or Sunday on which banks are open for general banking business in Sydney and Melbourne.

**buy/sell spread** - The buy spread is the difference between NAV price and the Issue Price. The sell spread is the difference between the NAV price and the Redemption Price of Units in the Fund. Collectively this is known as the Buy/Sell Spread. The Buy/Sell Spread for the Fund is 0.35% per application or redemption excluding GST.

**Corporations Act** - the Corporations Act 2001 (Cth) and Corporations Regulations 2001 (Cth), as amended from time to time.

**Distribution** - The amount that is paid to Unit Holders after the end of a distribution period. This generally includes any income and realised capital gains.

**Fund** – PURE Resources Fund constituted by the Trust Deed dated 1 March 2020.

**Fund Administrator** - Mainstream Fund Services Pty Limited, (ACN 118 902 891 AFSL 303253).

**Funds Under Management or FUM** - means funds under management in the Fund.

**GST** - Goods and Services Tax.

**High-Water Mark** - The highest unit price for each relevant class of units in which a performance fee has been crystallised.

**Hurdle** – 8% p.a and after deduction of other fees and expenses.

**IDPS** - Investor directed portfolio service or similar scheme, including master trusts and wrap accounts.

**Indirect Investor** - A person who invests in the Fund through an IDPS.

**Investment Manager or Trustee** - PURE.

**Investor** - an investor in Foundation class of Units under this IM.

**Issue Price** - the NAV of the Fund as calculated, and divided by the number of Units on issue, on the Valuation Date plus the buy spread.

**Net Asset Value or NAV** - the value of assets of the Fund less the value of the liabilities of the Fund.

**Portfolio** - all assets held by the Fund, including securities and cash.

**Privacy Act** – Privacy Act 1988 (Cth) and Australian Privacy Principles.

**PURE** - PURE Asset Management Pty Ltd (ACN 616 178 771) acting in its capacity as trustee and investment manager of the Fund.

**RBA cash rate** - overnight money market interest rate issued by the Reserve Bank of Australia.

**Redemption Price** - the NAV of the Fund as calculated, and divided by the number of Units on issue, on the Valuation Date less the sell spread.

**Redemption Request** - a written request by the Investors for redemption of some or all of the investors' Units.

**RITC** - Reduced Input Tax Credit. The Trustee will apply for reduced input tax credits on behalf of the Fund, where applicable, to reduce the GST cost to the Fund.

**Trust Deed** - The trust deed of the Fund which sets out the rights, responsibilities and beneficial interest of both Unit Holders and the Trustee in relation to the Fund.

**Unit** - A beneficial interest in the Fund.

**Unit Holder or investor** – a holder of Units in the Fund.

**Unit Registry** – Apex Group (Apex Pty Limited) (ABN: 81 118 902 891, ACN: 118 902 891).

**Valuation Date** - the last business day of a month.

**Wholesale Client** - persons or entities defined as such under the Corporations Act.