

miRunners Racing No.1 – Part 2 Product Disclosure Statement

ARSN 615 110 711

Class D Units – miRunners Scheme Horse to be trained by Lees Racing

This Product Disclosure Statement is provided in two parts:

Part 1 – miRunners Racing No 1 General Information

Part 2 – miRunners Racing No 1 Trainer specific information

You should read both Part 1 and Part 2 carefully before making a decision to invest. If you have not received both Parts please contact miRunners Australia Limited.

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1. THIS PART 2 OF THE PRODUCT DISCLOSURE STATEMENT (PDS) FOR THE MIRUNNERS RACING NO 1 (ARSN 615 110 711) RELATES SPECIFICALLY TO THE OFFER OF CLASS D UNITS.

It is important that you read the document that is Part 1 of this PDS in its entirety and understand it before proceeding to read this Part 2, as an investment in the Class D Units the subject of this Part 2 is also be subject to all of the information disclosed in Part 1.

If you have any queries relating to aspects of this Part 2 document please email enquiries@miRunners.com

What opportunity is unique to the offer of Class D Units in the miRunners Scheme?

Upon the offer of 1,000 Class D Units being fully subscribed, the Responsible Entity will arrange for the Manager to retain the services of licensed trainer Kris Lees of Lees Racing ABN 20 106 422 440 (Lees Racing Pty Ltd t/as) (**Trainer**) to assist with the selection and acquisition of a yearling colt or filly ("the Horse") at any one of the following yearlings sales to be held in Australia and New Zealand during the period of January to April, 2017 (**Sale**):

- (a) Magic Millions National Yearling Sale [11th to 14th January, 2017];
- (b) New Zealand Premier and Select Yearling Sales [30th January to 3rd February, 2017];
- (c) Inglis Premier Yearling Sale [26th of February to 1st March, 2017]; and
- (d) Inglis Easter Yearling Sale [4th to 6th April, 2017].

It is anticipated that the Trainer will acquire the Horse for the miRunners Scheme (referable to the Class D Units) at the Sale for a sale price of no more than \$200,000, plus \$20,000 GST: Total \$220,000 (including GST).

Upon the acquisition of the Horse, the Manager will confirm the appointment of Lees Racing as the Trainer of the Horse on behalf of the miRunners Scheme.

The Trainer is a leading NSW trainer who has his main stable at Broadmeadow (via Newcastle) racecourse.

The Trainer has trained the winners of 10 Group 1 races, including LUCIA VALENTINA (2016 Queen Elizabeth Stakes), SAMANTHA MISS (Champagne Stakes, Flight Stakes and VRC Oaks), COUNTY TYRONE (The Metropolitan and Sydney Cup), VITESSE DANE (Qld Oaks), and LE ROMAIN (Randwick Guineas).

Cost of the Units

As above, it is anticipated that:

- (a) 1,000 Class D Units in the miRunners Scheme will be issued by the Responsible Entity; and
- (b) the Trainer will acquire the Horse for the miRunners Scheme (referable to the Class D Units) at the Sale for a total price of no more than \$220,000 (including GST).

As such, \$220 (including GST) per Unit is payable by each applicant when applying for a Class D Unit or Units which will be applied by the Responsible Entity towards the Sale Price of the Horse to be acquired for the miRunners Scheme and referable to that Class.

What happens if the Trainer is unavailable?

If for any reason the Trainer is unavailable to participate in the miRunners Scheme in the manner contemplated in this PDS, then the Class D Units will not issue and applicants will receive a full refund of the money they have subscribed for Class D Units.

If for any reason the Trainer either resigns, or is unable to continue training the Horse while it is owned by the miRunners Scheme, then the Manager will appoint a new trainer.

What happens if insufficient money is raised?

If there are insufficient subscribers for Class D Units to raise \$220,000 (**Minimum Overall Subscription**) on or before the commencement date of any of the Sales, then the Class D Units will not issue and applicants will receive a refund of the money that they have subscribed for those Units.

Until the Minimum Overall Subscription Amount is met, the application moneys received will be held in a trust account designated for application moneys. It will not be invested in an interest bearing account and no interest will be paid to the applicants by the Responsible Entity.

Class D Units will be issued once the Minimum Overall Subscription is achieved.

What happens at the Sale?

It is expected that bidding at each Sale will be competitive on preferred lots and it must be considered that the Manager may not be able to acquire a suitable Horse for the miRunners Scheme. If this situation occurs, then the Class D Units will not issue and applicants will receive a refund of the money that they have subscribed for those Units.

If the bidding is successful then the Responsible Entity will pay the sale price, including GST, to the selling agent, and by so doing acquire the legal ownership of the Horse on behalf of the miRunners Scheme.

If more money is subscribed than is required to pay the sale price (including GST) of the Horse, the surplus will be credited to each Unit Holders equity account in the accounts of the miRunners Scheme and used to meet the expenses of the miRunners Scheme payable by the Class D Unit Holders.

When does the investor find out if the Sale is successful?

If the Manager is successful in acquiring a suitable Horse for the miRunners Scheme (referable to the Class D Units), the Manager will inform the Class D Unit Holders accordingly.

Specific Class D Risks

The risks outlined in this section have been identified by the Responsible Entity, but they are not intended to be a complete list and do not take account of your personal circumstances. So that your personal circumstances can be considered, it is recommended that you:

- (a) read the whole of this PDS (both Part 1 and Part 2) to fully appreciate these matters;
- (b) think about your tolerance to risk and how the potential investment risks of this miRunners Scheme may affect you; and
- (c) seek your own legal, financial and tax advice before deciding to invest.

Investment in thoroughbred horses must be considered to be of a speculative nature.

Please note that there are additional risks which are relevant to a decision to invest in Class D Units in the miRunners Scheme being offered by this PDS, including (without limitation):

- (a) that not enough money is raised;
- (b) that the Manager is unable to acquire a Horse for the miRunners Scheme (referable to the Class D Unit Holders) at the Sale; and
- (c) that the Trainer does not do a good job managing the Horse, including maintaining, training and racing it to best advantage.

(Risks associated with Horses) Risks specifically associated with the Horse include (without limitation):

- (1) there is no guarantee
 - (a) as to when the Horse will commence racing;
 - (b) that the Horse:
 - (i) will have the ability to win any races or prize money;
 - (ii) will have any significant residual value either at any time during or at the end of its racing career; or
 - (iii) if a colt, will not require gelding in an attempt to enhance racing performance, as most colts require gelding; and
- (2) the value of the Horse is likely to fluctuate while it is owned by the miRunners Scheme and will be affected by market forces, its race performances, and its suitability for breeding at the end of its racing career; and
- (3) the Horse may die or value be value be diminished by market forces or the materialization of an inherent risk, including (without limitation) accident, illness, infertility or sub-fertility, injury, or natural cause, or its failure to compete in or win any races or prize money.

(Costs payable by the Class D Unit Holders regardless of whether or not the Horse referable to that class is successful)

- (1) The Class D Unit Holders will incur a proportion of the costs of operating the miRunners Scheme, and the fees and expenses of caring for, training and racing the Horse referable to the Class D Units, regardless of whether or not the Horse progresses to competing in, or winning, any races or prize money.
- (2) All Unit Holders have a proprietary interest in all of the miRunners Scheme property and the Responsible Entity has a right of indemnity for operating the miRunners Scheme from all of the miRunners Scheme Property, subject to the proper performance of the Responsible Entity's duties.
- (3) Only Class D Unit Holders:
 - (a) will benefit from the performance of the miRunners Horse referable to the Class D Units; and
 - (b) will be liable to pay the expenses of the Horse referable to the Class D Units.

However, if a Class other than Class D performs poorly, or a significant number of Unit Holders default, resulting in their being insufficient money to meet miRunners Scheme liabilities, it is possible that the Class D Unit Holders will be required to bear and pay a proportion of the shortfall.

The Responsible Entity will endeavor to operate each Class so that this does not occur.

2. FEES AND COSTS

All amounts in this section include, where applicable, GST less any reduced inputs tax credits and stamp duty.

2.1 Consumer Advisory Warning

The Corporations Act requires the Responsible Entity to include the following standard consumer advisory warning in this PDS. The information in the consumer advisory warning is standard across Product Disclosure Statements and is not specific to information on fees and other costs associated with an investment in the miRunners Scheme.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

2.2 Fees and other costs

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the miRunners Scheme as a whole.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the miRunners Scheme		
<i>Establishment fee</i> The fee to open your investment	Not applicable	Not applicable
<i>Contribution fee</i> The fee on each amount contributed to your investment	Not applicable	Not applicable
<i>Withdrawal fee</i> The fee on each amount you take out of your investment	Not applicable	Not applicable
<i>Exit fee</i> The fee to close your investment	Not applicable	Not applicable

Type of fee or cost	Amount	How and when paid
Management costs¹		
The fees and costs for managing your investment		
<i>Administration Costs</i> Scheme levy — these are the fees and costs of operating the miRunners Scheme. They include administration and other fees charged by the Responsible Entity and the Manager, distribution costs and other expenses incurred in operating the miRunners Scheme.	\$120 per Unit Holder per annum in respect of the first unit only per annum (ie regardless of the number of units held)	Monthly fee payable by direct debit by Unit Holders
Additional costs		
Horse related costs, being the fees and charges incurred in caring for, training and racing the miRunners Horse	\$56.46 per Unit per annum	Monthly fee payable by direct debit by Unit Holders
Costs payable on sale or retirement of the Horse		
<i>Performance fee</i> <ul style="list-style-type: none"> Performance fee payable to the Manager 	A performance fee equal to 15% of the net profit earned by the Unit Holders of the Class from their investment in the miRunners Scheme upon the sale of the Horse and the termination of the Class	Payable upon the sale of the Horse referable to the Class D Units and the cancellation of the Class D Units
<ul style="list-style-type: none"> Additional remuneration and gratuities payable to the Trainer 	The Trainer's terms and conditions of training provide for the Trainer to be paid and receive the following additional remuneration and gratuities: (a) if the Horse [being other than a colt or entire to which (b) applies] is sold for a profit, 5% plus GST of the amount by which the sale price is more than the initial purchase price (excluding GST); or (b) if the Horse [being a colt or entire] is sold or retired to stud, 5% plus GST of the sale price or agreed value (excluding GST), plus 1 Lifetime Service Rights.	Payable upon the sale or retirement to stud of the miRunners Horse referable to the Class D Units
Service fees		
<i>Investment switching fee</i> The fee for changing investment options	Not applicable	Not applicable

¹ Note that these costs are estimates of the fees and costs that the Responsible Entity considers will arise in relation to the Scheme. Further information in relation to the Management Costs can be found in section 2.4

2.3 Example of fees and costs

This table gives an example of how the fees and costs of the Class D Units can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE	BALANCE OF \$1,100		
	Monthly fees		Annual fees
	Per Holder (regardless of the number of Units held)	Unit Per Unit	
If you acquire \$1,100 of Class D Units in the miRunners Scheme (ie 5 units), you will be required to contribute the following during each year			
Scheme levy on account of scheme operating and compliance costs, including management fees payable to the Responsible Entity and the Manager	\$10	-	\$120
PLUS Horse related costs	-	\$23.53	\$282.36
EQUALS COST OF CLASS D UNITS			\$402.36

2.4 Additional explanation of fees and costs

Unit Holders will be required to make payments in respect of the fees and costs set out in this section to the miRunners Scheme. In some cases, it is not possible to accurately forecast the following fees and costs as this will be dependent upon how long the horse is spelling, in pre-training, training and racing. The estimate of fees and costs does not include any race entry fees, surgery or extraordinary veterinary expenses.

Periodic Class Dues and Special Class levies – (Monthly Fees payable by Direct debit)

1. \$10 monthly fee to cover the fees payable to the Responsible Entity and the Manager for operating the miRunners Scheme, including the operating and compliance costs of the miRunners Scheme referable to the Class D Units and payable by the Unit Holders of that Class; and
2. An amount being a proportion of the fees and expenses payable in relation to the miRunners Horse referable to the Class D Units, in the same proportion as the number of Units held bears to the total number of Units of that Class. This includes (without limitation) the fees and expenses associated with maintaining, training and racing the Horse referable to that Class. It is not possible to accurately forecast these fees and expenses in advance.

Other costs

There may be other fees and costs payable in relation to the Scheme and Class D from time to time. The Manager will pay these fees and costs, which may include:

- (a) ASIC annual return lodgement fees;
- (b) professional indemnity insurance;
- (c) establishment costs in relation to Class D, including production of PDS in relation to Class D Units, provision of trust account for receiving of application monies and levies, issuing of Units and establishing Unit register for the Class;
- (d) fees and costs payable in relation to Class D, including management fee, accounting, administration and secretarial, audit servicing, and external auditors (financial and compliance);

- (e) fees and costs payable in relation to the Scheme, including management fee, accounting, administration and secretarial, audit servicing, and external auditors (financial and compliance); and
- (f) preparation and lodgement of tax returns.

In some cases it is not possible to accurately forecast the above fees and costs. It is estimated that the annual total of these fees and costs will be between \$25,000 and \$27,000.

Note that if the Manager fails to pay these fees and costs, it is possible that the Class D Unit Holders will be required to bear and pay a proportion of the shortfall in these fees and costs.

Multiple Units

Unit Holders may acquire any number of the available Class D Units. Examples of the financial payments required to be made by Unitholders, depending upon the number of Units acquired, is as follows:

Number of Class D Units	Description of monthly fees		Total monthly fees	Total annual fees
	Scheme levy (payable per Unit Holder regardless of the number of Units held)	Horse related costs (payable per Unit)		
1 Unit	\$10	\$ 4.71	\$14.71	\$176.52
5 Units	\$10	\$23.53	\$33.53	\$402.36
10 Units	\$10	\$47.10	\$57.10	\$685.20

ESTIMATE OF TOTAL HORSE RELATED ANNUAL FEES AND EXPENSES PAYABLE BY CLASS D UNIT HOLDERS:

	Total for Class (per annum)	Total per Unit (per annum)
Mortality insurance (including stamp duty)	\$ 6,458	
Estimate of Horse related fees and expenses, including (without limitation) maintaining, training and racing costs	\$50,000	
Total	\$56,458	\$56.46

*Note:** each Unit Holder of Class D Units will be levied monthly for one's proportion of actual fees and costs, in the same proportion as the number of Class D Units held bears to the total number of Units of that Class.*

Maximums and waivers

The Responsible Entity may waive any of its fees and costs in whole or in part.

Fee changes

The Responsible Entity may cease any waiver of fees to which it is entitled. The Responsible Entity may also increase its fees within the maximum limits provided in the Constitution.

3. Consents

The persons listed in the table below have given and have not withdrawn their written consent to:

- (a) be named in this PDS in the form and context in which they are named;
- (b) the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this PDS; and
- (c) the inclusion of other statements in this PDS which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included:

Name of person	Named as	Reports or statements
Carrazzo Consulting Pty Ltd Certified Practising Accountants	Taxation Advisors	General summary of the current taxation legislation set out in section 10 of this Part 1 of the PDS
UHY Haines Norton Chartered Accountants	Auditors for Scheme and Compliance Plan	Consent to act
Macquarie Legal Practice Solicitors	Legal Advisers	Provided advice in relation to the compilation of this PDS
miRunners Australia Limited	Manager	Consent to act. Provision of underwriting agreement in relation to the payment of any shortfall between the \$120 payable by each Class D Unitholder per annum (regardless of the number of Units held) and the total amount of miRunners Scheme fees and expenses payable by Class D Unitholders
Lees Racing	Trainer	Consent to act

None of the persons referred to above has made any statement that is included in this PDS or any statement on which this PDS is based, other than any statement or report included in this PDS with the consent of that person as specified above.

Each of the persons referred to above:

- (a) has not authorised or caused the issue of this PDS, and makes no representation or warranty, express or implied, as to the fairness, accuracy or completeness of the information contained in this PDS; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS other than references to its name or a statement or report included in this PDS with the consent of that person as specified above.

miRunners Racing No.1 – Supplementary Product Disclosure Statement

ARSN 615 110 711

Class D Units – miRunners Scheme Horse to be trained by Lees Racing

You should read the full Product Disclosure Statement (both Part 1 and Part 2) and this Supplementary Product Disclosure Statement carefully before making a decision to invest. If you have not received them please contact miRunners Australia Limited.

Manager

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THIS SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT (PDS) FOR THE MIRUNNERS RACING NO 1 (ARSN 615 110 711) IS ISSUED TO PROVIDE INVESTORS WITH DETAILS OF THE HORSE THAT HAS BEEN ACQUIRED FOR THE MIRUNNERS SCHEME REFERABLE TO THE CLASS D UNITS.

This document is a Supplementary Product Disclosure Statement (Supplementary PDS) to the Product Disclosure Statement (PDS) issued by Sire Custodians Ltd (ABN 45 005 088) 371), AFSL 223671) (**Responsible Entity**) of the miRunners Racing No 1 (ARSN 615 110 711) on 1 December, 2016.

This Supplementary PDS:

- (a) was prepared in consultation with the Manager in accordance with the Corporations Act and is dated 15 January, 2017;
- (b) has not, and does not need to be, lodged with ASIC, and ASIC does not take any responsibility for the contents of this document or the merits of the investment to which it relates; and
- (c) amends and updates some of the information set out in Part 2 of the PDS.

If you have any queries relating to aspects of this Supplementary PDS please email enquiries@miRunners.com

What opportunity is unique to the offer of Class D Units in the miRunners Scheme?

As contemplated in Part 2 of the PDS, the Manager, in consultation with licensed trainer Kris Lees of Lees Racing ABN 20 106 422 440 (Lees Racing Pty Ltd t/as) (**Trainer**) has proceeded to acquire a Horse ("the Horse") at the Magic Millions Yearling Sale on 14 January, 2017, that is suitable for the miRunners Scheme referable to the Class D Units.

The Horse was acquired by the Manager, as principal, as the Minimum Overall Subscription Amount for the Class D Units had not been achieved prior to the commencement of that Sale.

Upon the Minimum Overall Subscription Amount for the Class D Units being achieved by the Offer closing date (as amended by this Supplementary PDS), the Responsible Entity will apply the application moneys towards paying the sale price of the Horse, and by so doing acquire the legal and beneficial title to the Horse for the miRunners Scheme, referable to the Class D Units.

Details of the Horse and seller are as follows:

- a bay or brown colt foaled 5 November, 2015, by REAL SAGA from CUBISM.
- sale price: \$150,000, plus GST.
- the Horse was offered as Lot 747 by GLENLOGAN PARK, Innisplain, Queensland.

Prior to the sale and purchase:

- (a) the Manager and the Trainer each inspected the Horse and considered it to be in good physical condition and suitable for purchase as a prospective racehorse; and
- (b) the Manager retained equine veterinarian RICHARD McCLENAHAN, BVSc., Principal of DARTBROOK EQUINE VETERINARY CLINIC (**Veterinarian**), to examine the Horse, who subsequently provided a report evidencing that he considered it to be in good physical condition and suitable for purchase as a prospective racehorse.

The Responsible Entity and the Manager (including their directors and associated entities) neither have, nor have had in the period of 2 years prior to the date of this PDS, any interest in relation to the Horse, its sire or dam, other than the interests disclosed in this PDS.

The Trainer and the Veterinarian neither have, nor have had in the period of 2 years prior to the date of this PDS, any interest in the Horse, its sire or dam, other than the interests disclosed in this PDS.

Prospective investors should be aware that the sire of the Horse is a syndicated stallion. The Responsible Entity is also the responsible entity and manager of that syndicate, for which it is paid fees for services provided in the same way as the miRunners Scheme will pay it fees for services provided.

Amendment to Cost of the Units and Minimum Overall Subscription Amount

It is anticipated that 1,000 Class D Units in the miRunners Scheme will be issued by the Responsible Entity.

As the sale price of the Horse is now known, it is appropriate to adjust both:

- (a) the price per Unit (including GST) payable by each applicant when applying for a Class D Unit or Units to \$165; and
- (b) the Minimum Overall Subscription Amount to \$165,000, including GST);

to reflect the sale price.

Amendment to Offer closing date

In Part 2 of the PDS it is stated that if the Minimum Overall Subscription Amount was not achieved on or before the commencement date of any of the Sales, or the Manager was not successful in acquiring a suitable Horse for the miRunners Scheme, referable to the Class D Units, at any of the Sales, then those Units would not issue and Subscribers would receive a refund of money that they have subscribed for them.

At that time it was not contemplated the Manager would identify and proceed to acquire (as principal), a suitable Horse for the miRunners Scheme, referable to the Class D Units, at the Magic Millions Yearling Sale, before the Minimum Overall Subscription Amount was raised.

Consequently, the PDS, as amended by this Supplementary PDS, will now expire 6 months from the date of the PDS, or such earlier date as may be determined by the Responsible Entity ("Offer closing date").

What happens if insufficient money is raised?

If the Minimum Overall Subscription Amount is not achieved on or before the Offer closing date, then the Class D Units will not issue and applicants will receive a refund of the money that they have subscribed for those Units. If this occurs, subscribers for Class D Units will not acquire any interest in the legal or beneficial title to the Horse.

Until the Minimum Overall Subscription Amount is met, the application moneys received will be held in a trust account designated for application moneys. It will not be invested in an interest bearing account and no interest will be paid to the applicants by the Responsible Entity.

Class D Units will be issued once the Minimum Overall Subscription Amount is achieved.

Example of fees and costs

This table (which replaces the table that appears in paragraph 2.3 of Part 2 of the PDS) gives an example of how the fees and costs of the Class D Units can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE	BALANCE OF \$825		
	Monthly fees		Annual fees
	Per Unit Holder (regardless of the number of Units held)	Per Unit	
If you acquire \$825 of Class D Units in the miRunners Scheme (ie 5 units), you will be required to contribute the following during each year			
Scheme levy on account of scheme operating and compliance costs, including management fees payable to the Responsible Entity and the Manager	\$10	-	\$120
PLUS Horse related costs	-	\$23.53	\$282.36
EQUALS COST OF CLASS D UNITS			\$402.36