



Henry Morgan

HENRY MORGAN LIMITED
ACN 602 041 770
GPO BOX 3112
BRISBANE QLD 4001
+61 1300 110 436

3 July 2018

Lisa Banh
Senior Listings Adviser, Listings Compliance
ASX Compliance Pty Ltd
20 Bridge Street
SYDNEY NSW 2000

Email: lisa.banh@asx.com.au

Dear Ms Banh,

HENRY MORGAN LIMITED ("HML"): ASX QUERY

Henry Morgan Limited (**HML** or **Company**) refers to your letter dated 27 June 2018. While HML has set out below its responses to the questions in that letter, the Board finds it curious that ASX has asked these questions, particularly in light of the corporate governance, continuous disclosure and audit processes followed by the Company.

The Board also believes that each question presented by the ASX is of such a nature that it should not prevent ASX from lifting the voluntary suspension of trading in the Company's securities. Nevertheless, the Company responds to your queries below.

Adopting the defined terms and numbering in your letter:

1. Following HML's announcement of 13 March 2018, John Bridgeman Limited has proposed to HML that it undertake a buy-back and cancellation of the relevant JBL securities held by HML. JBL has advised HML that it has engaged lawyers to advise on this proposal and prepare the relevant documentation. HML will update the market as further details become available.
2. The Company receives broker statements for the end of each calendar month. These statements set out the marked-to-market price of securities held by the Company, the number of securities, and market value for that month. The Company uses these broker statements to determine (as it does for all of its other listed assets) the input values for the calculation of the NTA.

In relation to John Bridgeman Limited, the "*closing bid price for JBL shares on the NSX*" does not accurately represent fair value and bears no historical relationship to the prices at which JBL shares actually trade. In accordance with the relevant accounting standards and guidance, the Company is using the prices that it considers to be consistently



representative of fair value of the asset. Fair value is represented by the bid price accepted on the last completed sale being the marked-to-market price of the securities.

Below is a table summarising NSX prices and the broker statements for the specific listed asset requested.

John Bridgeman Limited					
Month	NSX closing bid price	NSX closing ask price	Broker issued statements		
			JBL share price	Number of shares	Market value
Apr 2017	\$0.10	\$2.20	\$2.20	55,000	\$121,000
May 2017	\$0.10	\$2.21	\$2.21	55,000	\$121,550
Jun 2017	\$0.10	\$2.00	\$2.00	55,000	\$110,000
Jul 2017	\$0.10	\$2.00	\$2.00	55,000	\$110,000
Aug 2017	\$0.10	\$1.99	\$1.99	55,000	\$109,450
Sep 2017	\$0.10	\$1.99	\$1.99	55,000	\$109,450
Oct 2017	\$0.10	\$2.08	\$2.08	55,000	\$114,400
Nov 2017	\$1.50	\$2.00	\$2.00	1,453,573	\$2,907,146
Dec 2017	\$1.00	\$2.00	\$2.00	1,453,573	\$2,907,146
Jan 2018	\$1.00	\$1.99	\$1.995	1,453,573	\$2,899,878
Feb 2018	\$1.00	\$1.98	\$2.00	1,453,573	\$2,907,146
Mar 2018	\$1.00	\$1.98	\$2.00	1,453,573	\$2,907,146
Apr 2018	\$1.00	\$1.83	\$2.00	1,453,573	\$2,907,146

- HML wishes to clarify that it does not 'earn' management fees, and assumes that the question relates to management fees payable by HML that have not been paid at the end of the relevant month.

NTA announcements made by the Company set out the results after taking into consideration accrued management and performance fees. The total provisions/balance for unpaid management fees at the end of each month are as follows:

Month	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17
Provision	\$0	\$0	\$36,040	\$96,834	\$191,576	\$191,525	\$293,509
Month	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	
Provision	\$293,509	\$205,249	\$101,342	\$195,749	\$94,784	\$93,825	

- The Company pays a monthly management fee of 2% per annum plus GST based on the net tangible assets of the Company.

Month	Base net tangible assets	Management fee
Apr 2017	\$47,686,283	\$87,424
May 2017	\$57,674,604	\$105,737
Jun 2017	\$55,323,711	\$106,075
Jul 2017	\$55,877,527	\$102,442
Aug 2017	\$56,425,116	\$103,446
Sep 2017	\$55,926,232	\$102,541



Month	Base net tangible assets	Management fee
Oct 2017	\$55,627,806	\$101,984
Nov 2017	\$55,722,384	\$102,158
Dec 2017	\$56,231,402	\$103,090
Jan 2018	\$55,277,507	\$101,342
Feb 2018	\$51,494,708	\$94,407
Mar 2018	\$51,661,354	\$94,712
Apr 2018	\$51,176,390	\$93,823

The Company pays a quarterly performance fee of 23% plus GST of the 'investment return' at the end of the relevant quarter. The investment return is the amount by which the market value of the Company's portfolio exceeds the market value of the portfolio at the end of the preceding quarter.

Quarter ended	Investment return	Performance fee
30 Jun 2017	\$10,502,227	\$2,437,303
30 Sep 2017	\$602,522	\$151,173
31 Dec 2017	\$305,170	\$77,208
31 Mar 2018	N/A	N/A

5. Other than as noted by the Company and ASX in previous ASX announcements, HML confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. HML's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policies or otherwise by its board or an officer with delegated authority from the board to respond to ASX on disclosure matters.

Yours faithfully

Kevin Mischewski
Company Secretary
Henry Morgan Limited



27 June 2018

Mr Kevin Mischewski
Company Secretary
Henry Morgan Limited
GPO Box 3112
Brisbane QLD 4000

By email: kmischewski@henrymorgan.com.au

Dear Mr Mischewski,

Henry Morgan Limited (“HML”): ASX Query

ASX Limited (“ASX”) refers to the following:

- A. HML’s announcement titled “Corrective Action” released on the ASX Market Announcements Platform on 13 March 2018 announcing the corrective action required by ASX following HML’s acquisition (“JBL Acquisition”) of 1,398,573 shares and options in John Bridgeman Limited (“JBL”). HML announced that it intends to seek the approval of the holders in relation to the JBL Acquisition in accordance with Listing Rule 10.9.2.
- B. HML’s response to an ASX query dated 19 June 2018, which provides as Annexure A a breakdown of the values ascribed to certain components of HML’s monthly NTA calculation for the months ended 30 April 2017 to 30 April 2018 inclusive (“Annexure A”).
- C. HML’s Half Year report as at 31 December 2017 released on the ASX Market Announcements Platform on 28 February 2018 (“HY Accounts”) which states the following (highlighting added):

Henry Morgan Limited
Notes to the financial statements
31 December 2017

Note 3. Critical accounting judgements, estimates and assumptions (continued)

The fair value of quoted instruments is based on current bid prices. The fair value of privately held investments (and instruments that are linked to their value) which are not currently traded in public market are estimated using valuation techniques, such as the Income Approach, the Market Approach and the Cost Approach; these valuation approaches are included in Level 3 of the hierarchy. Factors considered in determining the fair value of these investments include but are not limited to, market conditions, purchase price, nature of investment, estimation of liquidity value, subsequent third party equity financing or significant change in actual or potential operating performance resulting in a change in valuation, and other pertinent information.

Significant valuation issues are reported to be Board.

- D. The following definition of “net tangible asset backing” in listing rule 19.12:

net tangible asset backing for the purpose of rule 4.12 in relation to a +class of +securities,

$$\frac{(A - I - L)}{N}$$

A = total assets. In calculating this, the value of investments at the end of the month are calculated at “net market value” (that is, the amount which could be expected to be received from the disposal of an asset in an orderly market after deducting costs expected to be incurred in realising the proceeds of the disposal). The value of investments, except quoted *securities of listed entities, is calculated at cost or valuation. Valuation must not exceed the recoverable amount.

Note: The net market value definition is taken from Australian Accounting Standard AASB 1023.

I = intangible assets.

L = total liabilities ranking ahead of, or equally with, claims of that *class of *securities. In calculating this, total liabilities include each of the following.

- Provisions for tax on realised income and gains.
- Provisions for tax on estimated unrealised income and gains. Alternatively, the entity may disclose the net tangible asset backing per *security before and after providing for the estimated tax on unrealised income and gains.
- Provisions for declared, but unpaid, dividends or distributions if the *securities are still quoted on a basis that includes the dividend or distribution on the date on which the net tangible asset backing is reported.
- Provisions for unpaid management fees earned.

Example: Liabilities ranking ahead of, or equally with, fully paid ordinary shares in a parent entity will include all liabilities, preference share entitlements, and outside equity interests.

N = total number of *securities on issue in that *class. In calculating this, partly paid *securities which are in that *class when paid up are taken into account by assuming that the unpaid amount is paid.

E. The fact that shares in JBL last traded on National Stock Exchange of Australia (“NSX”) on 14 February 2018 at \$2.00 and have had a wide bid/offer spread since this time (for example, at the time of writing, the bid is \$0.50 and the offer is \$1.83).

Having regard to the above, ASX asks HML to respond separately to each of the following questions and requests for information:

1. Please outline what progress has been made towards correcting the Listing Rule 10.1 breach, including whether or not an independent expert has been appointed to opine on the JBL Acquisition and when HML intends to hold a shareholders’ meeting to pass the required resolution under Listing Rule 10.1.
2. For each of the month-end NTA calculations in Annexure A, please show the price used to value HML’s holding of JBL shares and what this value is based upon (for example, is it the closing bid price for JBL shares on NSX at the end of the relevant month or some other measure of value?). If a value other than the closing bid price on NSX at the end of the relevant month was used to value the JBL shares, please explain the rationale for this and also show the closing bid price for JBL shares on NSX applicable at the end of the relevant month for each of the month-end NTA calculations in Annexure A.
3. For each of the month-end NTA calculations in Annexure A, please show separately the provisions for unpaid management fees earned.

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4. For the period covered in Annexure A, please set out clearly each monthly calculation of the management fee and each quarterly calculation of the performance fee.
 5. Please confirm that HML is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
 6. Please confirm that HML's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policies or otherwise by its board or an officer with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 9.30am AEST on Monday, 2 July 2018.**

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, HML's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at lisa.banh@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to HML's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that HML's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

[Sent electronically without signature]

Lisa Banh

Senior Adviser, Listings Compliance (Sydney)

T 02 9227 0000

E lisa.banh@asx.com.au