



First Supplementary Target's Statement

BHD recommends that Securityholders REJECT the JBL Offer

This is an important document and requires your immediate attention.

If you are in doubt as to how to deal with this document, you should consult your legal, financial or other professional adviser.

This is the First Supplementary Target's Statement under section 644 of the *Corporations Act 2001 (Cth)* issued by Benjamin Hornigold Limited ACN 614 854 045 (**BHD** or the **Company**) in relation to the off-market takeover bid for all the ordinary shares and options in the capital of BHD by John Bridgeman Limited ACN 603 477 185 (**JBL** and the **JBL Offer**¹) and was approved by a resolution passed by the directors of BHD. This First Supplementary Target's Statement supplements, and should be read together with BHD's target's statement dated 30 May 2019 (**Target's Statement**).²

ASIC and ASX

Neither ASIC nor ASX, nor any of their respective officers, takes any responsibility for the content of this First Supplementary Target's Statement.

Consents

As permitted by ASIC Class Order 13/521, this First Supplementary Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX. Pursuant to this Class Order, the consent of persons to whom such statement are attributed is not required for the inclusion of those statements in this First Supplementary Target's Statement.

Any BHD Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may, during the Offer Period, obtain a copy free of charge (within 2 Business Days of the request) by contacting BHD.

Approval of First Supplementary Target's Statement

This First Supplementary Target's Statement has been approved by the BHD Board, who were appointed on 12 June 2019.

Signed for and on behalf of Benjamin Hornigold Limited by



Gary Miller
Director
Benjamin Hornigold Limited

¹ In this First Supplementary Target's Statement, the term JBL Offer has the same meaning as the term 'Improved JBL Offer' as defined in the Target's Statement. The consideration being offered by JBL under the terms of the JBL Offer has not changed since the Target's Statement.

² Words and phrases defined in the Target's Statement have the same meaning in this First Supplementary Target's Statement (unless otherwise defined). This First Supplementary Target's Statement will prevail to the extent of any inconsistency with the Target's Statement.



23 July 2019

Dear Shareholder,

This Supplementary Target Statement has been prepared by your new directors Mr Gary Miller, Mr Sulieman Ravell and Mr Michael Glennon as directors of the Company.

Since our appointment we have been reviewing the position of the Company generally in respect of a wide range of matters. We are doing all in our power to try to preserve value for shareholders.

This document is designed to update shareholders on changes that have occurred and new circumstances that have arisen since the Target's Statement was lodged on 30 May 2019.

Most importantly, the Independent Expert has withdrawn their opinion. Details of why they have made that decision are set out in their attached Report and we encourage you to read that in full. The key point made by the expert seems to us to be:

We are therefore currently unable to form an opinion on the fairness or reasonableness of the BHD Offer. Accordingly, we withdraw the opinion stated in our IER dated 30 May 2019 that the BHD Offer was fair and reasonable. Therefore, BHD shareholders should not rely on the previous opinion due to the change in circumstances.

Clearly the choice facing shareholders is whether to continue holding your BHD shares and potentially receive the proceeds from the realisation of its assets over time or to accept JBL shares. While there are arguments both ways we believe that you should not accept the JBL Offer. Your directors believe that there is too much uncertainty about the value of JBL shares to make that a risk worth taking.

On 12 June 2019 JBL announced that the JBL Offer was freed from all conditions. JBL now have control of 17.02% of BHD.

What should you do now?

You should continue to **REJECT** the JBL Offer. To reject the JBL Offer, **DO NOT RESPOND** and **DO NOTHING** in relation to any documents sent to you by JBL.

Shareholder Information Line

BHD shareholders who have questions about the material in this document or the JBL Offer can contact the directors by either calling 02 8117 8123 or sending an email to cosec@bhdlimited.com.au.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'G. Miller', is written in a cursive style.

Gary Miller

Director

Benjamin Hornigold Limited

Annexure A

Amendments to Target's Statement

1. Amendments to Target's Statement

Section 1 of the Target's Statement is deleted in its entirety and replaced with the following:

"1. Reasons why you may wish to not accept the JBL Offer

This Section 1 summarises the key reasons why you may wish to not accept the JBL Offer.

After consideration of the Independent Expert's withdrawal of their report and all material available in relation to the position of BHD, JBL and the terms of the JBL Offer, the Board of BHD recommend that BHD Securityholders reject the JBL Offer.

Under the terms of the current JBL Offer, you are being offered:

- a) 1.5 JBL Shares per BHD Share (**Share Offer**); and
- b) 0.50 JBL Options per BHD Option (**Option Offer**).

Since you received the Target's Statement:

- a) JBL released a Second Supplementary Bidder's Statement on 31 May 2019;
- b) the JBL Offer become unconditional on 12 June 2019;
- c) JBL released a Third Supplementary Bidder's Statement on 18 June 2019; and
- d) the JBL Offer was varied extending the offer period to 7:00 pm on 31 July 2019.

Further details of the issues and reasons for this change in recommendation are detailed in Section 2 of this First Supplementary Target's Statement.

1.1 Value of the Offer and status of Independent Expert Report

Included in the Target's Statement was an Independent Expert Report dated 30 May 2019 produced by Leadenhall Corporate Advisory Pty Ltd (**Independent Expert or Leadenhall (IER)**).

Since the date of the IER a significant number of changes have arisen and for this reason the Board commissioned the Independent Expert to update the opinion reached in the IER.

The Independent Expert has prepared a supplementary opinion which is attached to this document as Annexure B (**Updated Opinion**). After consideration of the updated circumstances and their impact on the value of BHD and JBL, the Independent Expert has concluded that:

The factors described above outline a degree of uncertainty regarding the value of a BHD share and a very significant degree of uncertainty regarding the value of a JBL share. Based on the limited information currently available to us, the range of potential values we consider reasonable for each security is too wide to provide useful analysis. We are therefore currently unable to form an opinion on the fairness or reasonableness of the BHD Offer. Accordingly, we withdraw the opinion stated in our IER dated 30 May 2019 that the BHD Offer was fair and reasonable. Therefore, BHD shareholders should not rely on the previous opinion due to the change in circumstances.

The choice facing BHD shareholders is whether to continue holding their BHD shares and potentially receive the proceeds from the realisation of its assets over time, or to accept JBL shares under the BHD Offer, which based on the discussion above face a greater degree of uncertainty in their valuation.

1.2 You may wish to remain a BHD Securityholder

If you reject the JBL Offer, you will remain a BHD Securityholder and be entitled to participate in the future financial performance of BHD.

Section 5 of the Target's Statement (as amended by this First Supplementary Target's Statement) contains information about BHD, and Section 8 (as amended by this First Supplementary Target's Statement) contains information about the risks of remaining a BHD Securityholder, which you should consider in making your decision.

1.3 JBL's investment in unlisted entities

The Independent Expert previously ascribed a nominal value on JBL's funds management business (\$0-\$100,000) (See Table 2 on page 6 of the IER).

Whilst the Bidder's Statement and Independent Expert's Report provide a substantial amount of detail in relation to JBL's investments, JBL's investments are in unlisted companies and the Board believes that there are substantial inherent risks in unlisted investments like those held by JBL. Further, the board of BHD has been unable to verify the accuracy of the forecasts, diligence material and other financial information used to support various investment decisions made by JBL and allegedly approved by the former board of BHD.

BHD Securityholders are encouraged to read the Risks section of the Bidder's Statement and the Target's Statement (as amended by this First Supplementary Target's Statement) to ensure they are apprised of the investments made by JBL prior to making a decision whether to accept or reject the JBL Offer.

The existing publicly available information discloses JBL's objectives to include:

- a) investing in listed and unlisted companies which JBL believes will provide opportunities for moderate to high investment returns over the medium to long term; and
- b) growing a diversified income stream uncorrelated to traditional equity market investments through management fees received from managing the investments of third parties, as well as returns from direct investment in listed and unlisted structures.

The Board believes that JBL's current investment portfolio is heavily focussed on investments in unlisted companies. Unlisted companies in which JBL has had a direct or indirect investment are based in various sectors, primarily:

- a) financial services including broking and currency exchange;
- b) physical audits and mercantile agency services, as well as investigations, brand protection, surveillance, background screening and security sweeps across Australia and New Zealand; and
- c) international casual dining franchises for international brands.

JBL's main investment is JB Financial Group Pty Ltd (**JBFG**), an unlisted financial services company with operating businesses encompassing foreign exchange retailing, securities brokerage and trading and a mercantile services business. JBL has a direct interest in JBFG and an indirect interest through a controlling interest in BRL, an unlisted investment company whose main investment is a 32.8% interest in JBFG.

JBFG has historically been loss-making. Future returns to shareholders in the Merged Group will be dependent on JBL's ability to achieve returns through growth in operating cash flows and achieving a liquidity event for all or some of the assets or businesses of JBFG, both of which the Board believes are highly uncertain.

BRL's investment portfolio includes an investment in companies operating in the retail food industry. Risks associated with this industry include concentration risk, property risk, market disruptors (in particular in the form of delivery aggregators) and competition, rising inflationary costs, labour and electricity costs, and funding risks.

More details regarding the risks involved in relation to investing in unlisted companies is set out in Section 8.3(p) of the Target's Statement (as amended by this First Supplementary Target's Statement).

1.4 The JBL Offer Consideration may trade on the NSX

On 10 April 2019 JBL was suspended from official quotation on the NSX. The Board believes that the suspension will remain in place while the NSX conducts enquiries into JBL.

Unless JBL is reinstated, any BHD Securityholder who accepts the JBL Offer will find their securities illiquid and unable to be traded on the NSX.

Considering the nature, reason and length of the suspension, there is a risk that, even after reinstatement, JBL may again be suspended from official quotation for the purpose of the NSX conducting additional enquiries.

BHD does not have access to sufficient information to speculate on this matter.

1.5 Readmission of BHD

The former board of BHD resigned and Mr Gary Miller, Mr Sulieman Ravell and Mr Michael Glennon were appointed to the Board on 12 June 2019 and so the resolutions previously proposed to be considered at the 249F Meeting were no longer required to be put to BHD Securityholders.

In the letter from the ASX to the previous directors of BHD on 30 May 2019 (a copy of which is available on the ASX), the ASX made numerous references to concerns around the relationship between the previous directors of BHD and JBTH, HML and JBL and other unlisted entities connected with Stuart McAuliffe (a previous director of BHD).

BHD believes that the renewed Board may go some way to improving BHD's prospects of having its suspension lifted on the ASX.

1.6 There are risks to accepting the JBL Offer

If you choose to accept the JBL Offer, there are a number of potentially adverse consequences of which you should be aware.

a) JBL is suspended from official quotation

JBL has provided responses to queries raised by NSX and sought to have its shares reinstated to the official quotation.

The Board have reviewed the reasons for JBL's suspension and formed the preliminary view that it is uncertain that JBL will be reinstated to official quotation in the near future. The Board cannot finalise this view until the NSX has completed its enquiries and made a final decision on the quotation of JBL's securities. The last query was raised by the NSX on 14 June 2019. All queries and responses to such queries are available on the NSX website.

b) Financial Reports present uncertainty as to JBL continuing as a going concern

JBL released its financial report for the half year ended 31 December 2018 to the NSX on 14 March 2019 (**2019 half year report**). A copy of the 2019 half year report is attached as Annexure A to the Bidder's Statement. The 2019 half year report is the second consecutive financial report to be prepared for JBL which has highlighted uncertainty as to the financial position of JBL.

The NSX issued a 'Financial Disclosure Query' to JBL on 11 April 2019, being the day after the NSX suspended JBL. One query raised related to concerns highlighted by the independent auditor in their review of the 2019 half year report as to a material uncertainty in relation to the JBL's ability to continue as a going concern. The details of such queries can be found on the NSX platform and are yet to be resolved to the satisfaction of the NSX.

BHD Securityholders should carefully read the 2019 half year report, the Bidder's Statement, the Target's Statement and this First Supplementary Target's Statement and

assess whether the uncertainty as to the financial position of JBL is in accordance with your individual investment strategy. You should carefully consider the statements made by JBL's directors in the Bidder's Statement regarding JBL's financial position.

In the event that JBL or JBFG become insolvent, shareholders in the Merged Group will receive payment only after the payment of all creditors in full.

c) The tax consequences of the JBL Offer may not be suitable to your financial position

If you accept the JBL Offer, it may result in taxation consequences for you, including exposure to CGT. Please refer to Section 9 of the Target's Statement for further information.

However, BHD Securityholders should not rely on the disclosure of taxation considerations in Section 9 of the Target's Statement as being advice of their own affairs. You should consult with your independent taxation advisers regarding the taxation implications of accepting the JBL Offer given your own particular circumstances.

d) You may not wish to own securities which are listed on the NSX

JBL Shares and JBL Options are listed on the NSX but are suspended.

JBL Shares have been suspended from official quotation since 10 April 2019 pursuant to NSX Listing Rule 2.18. The suspension has and will remain in place while the NSX conduct enquiries into JBL.

If JBL is reinstated, the level of liquidity of JBL Shares and JBL Options on the NSX may be lower than on other larger and more established markets such as the ASX.

Even if JBL is reinstated to quotation, there is no certainty that there will be any demand for JBL Shares. The data on the NSX platform shows that even before JBL was suspended from trade there very limited 'bids' for JBL Shares. The last 'bid' for JBL Shares was on 28 December 2019 at a price of 1 cent despite JBL being listed at this time. For clarification, JBL last traded at a price of 60 cents on 24 December 2018.

Further details of the trading history can be found at the following link <https://www.nsx.com.au/marketdata/company-directory/prices/JBL/>

e) You may not realise potential gains from holding your investment in BHD

The Board propose to undertake a controlled process of realising the assets of BHD, converting those assets to cash. Once that process has reached conclusion the Board will reassess the position of the Company and its prospects for the future.

f) Subordination risk

One important factor for BHD shareholders is that at present BHD has a number of investments related to JBFG where either:

- i. BHD has property held on trust or otherwise secured against its utilisation by JBL and its related entities (i.e. the banknotes); or
- ii. BHD holds a debt position.

In the event of the insolvency of JBL, BHD will be repaid in priority to JBL shareholders. If JBL does not continue as a going concern, JBL shareholders stand to be repaid funds last.

1.7 Other matters

In considering whether to accept or reject the JBL Offer, the Board encourage you to:

- a) read this First Supplementary Target's Statement very carefully to understand why and how BHD's recommendation has changed and how and why the Independent Expert's opinion has changed;
- b) disregard the opinion set out in the initial IER contained within the Target's Statement and dated 30 May 2019 as this opinion has now been formally withdrawn by the Independent Expert;

- c) read the Bidder's Statement, and the First, Second and Third Supplementary Bidder's Statement;
- d) have regard to your individual risk profile, portfolio strategy, tax considerations and financial circumstances;
- e) obtain independent financial advice from your own broker or financial adviser regarding the JBL Offer; and
- f) obtain taxation advice on the consequences for you of accepting the JBL Offer.

2. Section 2

Section 2 of the Target's Statement is deleted in its entirety and replaced with the following:

“2. Reasons why you may wish to accept the JBL Offer

This Section 2 summarises the key reasons why you may wish to accept the JBL Offer.

2.1 Risks associated with an investment in BHD

You may consider that by retaining your BHD Shares and / or BHD Options, the price which you will realise is more uncertain and you will continue to be exposed to the risks associated with being a BHD Securityholder.

The key risk factors for remaining a BHD Securityholder are discussed in Section 8.1 of the Target's Statement (as amended by this First Supplementary Target's Statement).

2.2 The JBL Offer will result in a Merged Group which may offer a more diversified investment

BHD's stated investment strategy has since its establishment been to create a portfolio of investments with potential for providing returns to BHD Shareholders, as assessed by its investment manager using a high conviction investment approach. The current board has reservations about the nature of the investment portfolio established and whether proper care and diligence has been exercised by JBL in its performance of its obligations under the Management Services Agreement.

In contrast, the principal activities of JBL consist of providing investment management services to listed and unlisted investment companies, including BHD, BRL, HML and the JB High Alpha Fund, as well as investing either directly or indirectly in listed and unlisted companies in a variety of sectors.

In addition to the relevant management services agreement, JBL holds the following Relevant Interests in each of those entities as at the date of this First Supplementary Target's Statement:

- a) 46.28% in HML;
- b) 78.59% in BRL; and
- c) 17.02% in BHD.

JBL has indicated in its Bidder's Statement that it intends to continue to act as investment manager under the current terms of the Management Services Agreement with BHD if the JBL Offer is successful.

If the JBL Offer is successful, your investment in JBL will be an investment in the Merged Group which will include operations as an investment manager with BHD becoming a subsidiary investment company.

You may believe that an investment in the Merged Group may meet your investment objectives.

2.3 The JBL Offer Consideration may trade on the NSX

As discussed above the Board believes that the suspension will remain in place.

There is a possibility that the NSX will lift the current suspension and JBL will be reinstated to official quotation. If this occurs and you accept the JBL Offer, you will have the option to trade your JBL Shares on the NSX.

2.4 No Superior Proposal has emerged as at the date of this First Supplementary Target's Statement

As at the date of this First Supplementary Target's Statement, no alternative offer to the JBL Offer have been put to BHD or are currently under consideration by BHD. The Board is not aware of any other offer or proposal that might be an alternative to the JBL Offer to acquire BHD Securities.

In light of JBL's current role as investment manager of BHD, the Board considers that it is unlikely that a Superior Proposal to acquire BHD Securities will be forthcoming before the end of the Offer Period.

If an offer to acquire BHD Securities is received or formulated prior to the end of the Offer Period, the Board will carefully consider the proposal and advise BHD Securityholders of their recommendation.

2.5 There are risks to not accepting the JBL Offer

If you choose to not accept the JBL Offer, there are a number of potentially adverse consequences of which you should be aware.

a) You will continue to be exposed to the risks associated with being a BHD Shareholder and/or BHD Optionholder

There are a number of risks which may affect the future operating and financial performance of BHD. If you choose not to accept the JBL Offer, you will continue to be exposed to these risks associated with being a BHD Securityholder, including in relation to:

- i. the risk that BHD will not be reinstated to trading on the ASX;
- ii. the risk that the ASX will exercise its discretion under the ASX Listing Rules to remove BHD from the official list of the ASX;
- iii. even if reinstated, risk of suspension for BHD from the ASX continues to such an extent that the BHD Board considers steps to delist BHD from the ASX; or
- iv. BHD business risks may affect BHD's ability to achieve its objectives including any variation in global or local equity markets, global or local bond markets or in the value of the Australian dollar against other major currencies.

BHD Securityholders should refer to Section 8 of the Target's Statement (as amended by this First Supplementary Target's Statement) for further information regarding the risks associated with an investment in BHD.

3. Section 3: Frequently Asked Questions

The responses to the following questions in the Target's Statement are deleted and replaced with the following:

Question	Answer
What are the directors of BHD recommending?	<p>The directors of BHD recommend that you REJECT the JBL Offer. To reject the JBL Offer, DO NOT RESPOND and DO NOTHING in relation to any documents sent to you by JBL.</p> <p>The reason for this recommendation are set out in Section 2 of the Target Statement (as amended by this First Supplementary Target Statement).</p>
What does the Independent Expert say?	<p>The IER previously concluded that the JBL Offer was fair and reasonable for BHD Shareholders and BHD Optionholders not Associated with JBL.</p> <p>The Independent Expert has since WITHDRAWN this opinion and advised that BHD Securityholders should not rely on the previous IER.</p> <p>For further details you should read the Updated Opinion from the Independent Expert dated 19 July 2019 and attached to this First Supplementary Target Statement as Annexure B.</p>
Who should I call if I have questions?	<p><i>BHD Contact details</i></p> <p>If you have any further queries about the details in this First Supplementary Target Statement or the JBL Offer you can contact a representative of BHD by either calling 02 8117 8123 or sending an email to cosec@bhdlimited.com.au.</p> <p><i>JBL Contact Details</i></p> <p>If you have any further queries in relation to the JBL Offer or how to accept the JBL Offer, you can call +61 1300 108 495, Monday to Friday between 8:30am and 5:30pm (AEST).</p>

4. Section 4: Your choices as a BHD Securityholder

Section 4 of the Target's Statement is deleted and replaced with the following.

4.1 What are your choices?

If you are a BHD Securityholder, you have the following choices available to you:

- a) accept the JBL Offer;
- b) sell some or all of your BHD Securities off-market;
- c) sell some or all of your BHD Securities on-market;³ or
- d) reject the JBL Offer and do nothing.

You should consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision in relation to your BHD Securities.

³ BHD Shares and Options are currently suspended from trade on the ASX. This option is only available to BHD Securityholders in the event BHD is re-admitted to trade on the ASX during the Offer Period.

4.2 Accept the JBL Offer

You may wish to accept the JBL Offer.

a) How to accept the JBL Offer

If you choose to accept the JBL Offer, then your acceptance must be received by JBL before the end of the Offer Period. Instructions on how to accept the JBL Offer are set out in Section 4 of the Bidder's Statement and on the Acceptance Form that accompanies the Bidder's Statement. If you wish to accept the JBL Offer, you should follow these instructions carefully to ensure that your acceptance is valid.

How you accept the JBL Offer depends on the nature of your holding:

- i. if your BHD Shares and/or BHD Options are in an Issuer Sponsored Holding and you want to accept the JBL Offer, you should complete and deliver the Acceptance Form in sufficient time that it is received by JBL's share registry before the end of the Offer Period;
- ii. if your BHD Shares and/or BHD Options are in a CHESS Holding and you want to accept the JBL Offer, you should:
 - (A) instruct your Controlling Participant (normally your broker) to initiate acceptance of the JBL Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
 - (B) complete and deliver the Acceptance Form in sufficient time so that your Controlling Participant (normally your broker) has sufficient time to effect your acceptance before the end of the Offer Period; or
 - (C) give instructions to your Controlling Participant (normally our broker) in sufficient time to allow your Controlling Participant to initiate your acceptance under the CHESS system before the end of the Offer Period; or
- iii. if you are a Participant and you wish to accept the JBL Offer, acceptance of the JBL Offer must be initiated in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

b) Effect of acceptance

As the JBL Offer is now unconditional, if you accept you will be entitled to be paid the Offer Consideration by JBL in accordance with the terms of the JBL Offer (see Section 7.7 of the Target's Statement for further information on timing for issue of the Offer Consideration).

The effect of acceptance of the JBL Offer is described in more detail in Section 7.5 of the Target's Statement. You should read these provisions in full to understand the effect that your acceptance will have on your ability to exercise the rights attaching to your BHD Securities.

Accepting the JBL Offer would:

- i. prevent you from participating in any Superior Proposal that may emerge;
- ii. commit you to selling all of your BHD Securities to JBL; and
- iii. prevent you from otherwise selling your BHD Securities.

The taxation implications of accepting the JBL Offer depend on a number of factors and will vary according to your particular circumstances.

A general outline of the Australian taxation consequences of accepting the JBL Offer is set out in Section 9 of the Target's Statement. You should seek your own specific professional advice regarding the taxation consequences for you in accepting the JBL Offer.

4.3 Sell your BHD Shares and/or BHD Options on-market

During a takeover, shareholders in a target company may still sell their shares on-market for cash provided that they have not accepted a takeover offer for those shares.

BHD has been suspended from trade on the ASX since 30 July 2018, and may remain suspended for the duration of the Offer Period. As a result, BHD Securities are unable to be sold on market.

The latest price for BHD Securities on the ASX may be obtained from ASX's website www.asx.com.au under the code BHD.

If BHD is re-admitted to trade on the ASX during the Offer Period, BHD Securityholders will be free to sell their BHD Shares and/or BHD Options on market on the ASX, provided they have not already accepted the JBL Offer (or if a BHD Shareholder or BHD Optionholder has accepted the JBL Offer, they have validly withdrawn that acceptance).

BHD Securityholders who sell their BHD Shares and/or BHD Options on-market:

- a) will lose the ability to accept the JBL Offer, or to participate in any other Superior Proposal that may emerge;
- b) may receive more or less for their BHD Shares and/or BHD Options than the consideration under the JBL Offer;
- c) are likely to incur a brokerage charge; and
- d) will be paid the net proceeds of sale on the second Business Day after the date of trade, and will not have to wait for satisfaction or waiver of the Defeating Condition and the end of the Offer Period, as would be the case if accepting into the JBL Offer.

BHD Securityholders who sell their BHD Shares and/or BHD Options on-market may be liable for capital gains tax or income tax on the sale and may incur a brokerage charge (see Section 9 of the Target's Statement). You should seek your own specific professional advice regarding the taxation consequences for you of selling your BHD Securities on market.

BHD Securityholders who wish to sell their BHD Shares and/or BHD Options on-market should contact their stockbroker for instructions on how to effect that sale. BHD Securityholders should note that any sale on-market can only occur if BHD is re-admitted to trade on the ASX.

4.4 Sell your BHD Shares and/or BHD Options off-market

You may still sell your BHD Securities off-market during the Offer Period if you are able to identify a third party who wishes to acquire your BHD Securities. You will be paid the net proceeds of the sale on transfer.

BHD Securityholders who sell their BHD Securities off-market may be liable for capital gains tax or income tax on the sale (see Section 9 of the Target's Statement). You should seek your own specific professional advice regarding the taxation consequences of selling your BHD Securities off-market.

4.5 Reject the JBL Offer and do nothing

If you do not wish to accept the JBL Offer and wish to retain your BHD Shares and/or BHD Options, you do not need to take any action.

If you do not accept the JBL Offer and JBL becomes entitled to compulsorily acquire your BHD Securities under the Corporations Act (which entitlement it intends to exercise, as discussed in the Bidder's Statement), you may receive your consideration later than BHD Securityholders who choose to accept the JBL Offer.

Please refer to Section 7.9 of the Target's Statement for further details on compulsory acquisition.

Further, if the JBL Offer is successful but JBL does not become entitled to compulsorily acquire your BHD Shares and/or BHD Options, you will remain a minority shareholder in BHD with potential adverse implications, including those described in the Target's Statement and this First Supplementary Target's Statement.

5. Section 5: Information relating to BHD

5.1 Introduction

BHD is a listed investment company that is currently managed by JBL. BHD was incorporated on 28 September 2016 as an unlisted public company limited by shares. On 3 January 2017, it changed its name to Benjamin Hornigold Ltd. On 12 May 2017, it was admitted to the official list of ASX.

5.2 Overview of business strategy

The Board has attempted to seek information from JBL and has:

- a) requested that JB Markets and Saxo to stop opening new positions and making withdrawals from trading accounts of BHD. JBL have advised that they are of the view that JBL's appointment under the investment management agreement is exclusive and as such the Board cannot issue instructions in relation to the investment activities of BHD.
- b) advised JBL that Authorised Investments as defined in the Management Services Agreement are only to consist of "cash investments held in At Call accounts in Australian Dollars at an Authorised Deposit taking Institution held in the name of Benjamin Hornigold Limited". JBL disputes the Board's right to make this change to BHD's investment strategy and to date has not complied with this request.
- c) Informed JBL that the Board believe that there are grounds to have the Management Services Agreement terminated due to breach of its terms by JBL with no break fee. JBL have informed the Board that they believe that the Management Services Agreement cannot be terminated, even with the payment of a break fee, until it expires on 29 March 2022.

5.3 BHD historical financial summary

On 28 February 2019, BHD released its audit reviewed results for the half year ended 31 December 2018 financial reports, including the full/half year results release, are available on BHD the ASX website.

BHD's financial position as at 31 December 2018 can be summarised as follows:

- a) Total assets of \$16,225,055;
- b) Net assets of \$15,963,081;
- c) Cash and cash equivalents net of debt of \$2,833,570;

For the year ended 31 December 2018, the following results were recorded:

- a) Revenue of \$(508,596); and
- b) Net loss of \$(1,902,469).

5.4 BHD Director and Senior Management Profiles

Michael Xavier Glennon

Michael is the Chief Investment Officer and portfolio manager at Glennon Capital Pty Ltd. Michael has been a small cap portfolio manager since 1999. He was a co-founder of Adam Smith Asset Management, a specialist small cap boutique. Prior to that Michael was a small cap portfolio manager at Paradise Investment Management. Michael commenced his career at Mercantile Mutual before becoming managing director of Republic Funds Management which was later sold to WH Soul Pattinson to become the foundation of their funds management activities. While at Adam Smith Asset Management Michael had joint responsibility for managing the small and micro-cap portfolios. In 2007 Adam Smith was awarded the IMCA / Money Management small-cap manager of the year award for Australian Equities.

Gary Desmond Miller

Gary has 25 years' experience in the financial services industry. He is a director and responsible manager of Miller Wealth Management Pty Ltd which has held an Australian Financial Services License since 2011.

He was previously a partner in a Brisbane based financial planning firm and a member of the investment committee of an ASX listed financial services group.

Gary has broad financial services experience across the insurance, superannuation, investment and finance sectors, holds a Diploma in Financial Advising and is a voting member of the Financial Planning Association.

Sulieman Ravell

Sulieman has over 20 years' experience in the financial services industry. He is a representative director and the responsible manager of NW Advice Pty Ltd and Wealth Focus Pty Ltd, and is responsible for providing advice to clients, principally focused on strategy and asset allocation. He was previously a member of the Filtered Research Committee, a service aimed at avoiding product failures and assisting adviser groups in constructing approved product lists.

Sulieman holds the Advanced Certificate of Financial Planning (UK), a degree in Chemical Engineering and the Advanced Diploma in financial planning Australia.

6. Section 6: Information relating to JBL

6.1 Overview of JBL's Interest in BHD

At the date of this First Supplementary Target's Statement, JBL holds a Relevant Interest in 4,110,340 BHD Shares and has Voting Power of 17.02%.

7. Section 7: Details about the JBL Offer

Items 7.1, 7.2 and 7.2 of Section 7 of the Target's Statement are deleted and replaced with the following

7.1 Offer Consideration

The Offer Consideration under the JBL Offer is:

- a) 1.5 JBL Shares per BHD Share; and
- b) 0.50 JBL Options per BHD Option.

7.2 Extended Offer Period

The Offer Period under the JBL Offer has been extended to 7:00 pm on 31 July 2019 (Sydney time), unless extended or withdrawn.

As noted previously in this First Supplementary Target Statement the JBL Offer is now unconditional. Accordingly, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- c) JBL improves the Offer Consideration; or
- d) JBL's Voting Power in BHD increases to more than 50%,

In which case, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

7.3 Withdrawal of your acceptance

Once you accept the JBL Offer you will not be able to sell to otherwise deal with your BHD Securities, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.

Items 7.4-7.6 and 7.8 of Section 7 of the Target's Statement are deleted.

8. Section 8: Risk Factors

Items (a) and (b) of the Section 8.2 of the Target's Statement are deleted and replaced with the following.

a) Current suspension from trading on ASX

BHD Securities have been suspended from trading on the ASX since 30 July 2018.

In the letter from the ASX to the previous directors of BHD on 30 May 2019 (a copy of which is available on the ASX), the ASX made numerous references to concerns around the relationship between the previous directors of BHD and JBTH, HML and JBL and other unlisted entities connected with Stuart McAuliffe (a previous director of BHD). Since this time the previous directors have resigned and a new board has been appointed. The new board is of the view that following the renewal of the board, there is a greater chance that ASX may lift the suspension, as a number of the concerns of ASX related to related party transactions and poor governance, being issues which the new board have taken immediate steps to try to rectify since being appointed.

BHD believes that a renewed board may go some way to improving BHD's prospects of having its suspension lifted on the ASX. The Board have been working with ASX to try to get BHD relisted. No assurances can be given that these efforts will be successful.

BHD is taking every reasonable step to have the suspension lifted, and is ensuring that it is doing all things lawfully required to enable this to happen for the benefit of BHD Securityholders. However, there is no certainty as to when, or if, the suspension will be lifted.

If BHD is removed from the official list of the ASX, BHD Shares and BHD Options will be unlisted and you will only be able to transfer or sell your BHD Shares and/or BHD Options off-market.

a) Re-admission of BHD Securities to the ASX

BHD Shares have been suspended from trading on the ASX since 30 July 2018. If the ASX determines that BHD is able to be re-admitted to trading on the ASX it is likely that BHD Shares will trade at a significant discount to the last trading price of \$0.71 per BHD Share given the elapse of time since BHD Shareholders were able to facilitate on-market transactions for their BHD Shares and general market sentiment.

Items (c), (d) and (l) of Section 8.2 of the Target's Statement are deleted.

Section 8.3 of the Target's Statement is amended to include new paragraph 8.3(p) as follows:

8.3(p) Risk of investment in unlisted companies

JBL makes investments in unlisted companies. Heavy investment in unlisted companies may mean that achieving a return on investment is more difficult than in larger capitalised or listed companies. Because unlisted companies are not exchange traded, they may be more difficult to sell at the appropriate time. Such a delay could result in a decline in value of the investment.

Non-controlling interests in unlisted companies generally sell at a discount to the price of comparable listed securities. This difference is known as the discount for lack of marketability (DLOM) or liquidity discount. It arises because investors place a significant value on liquidity – the ability to sell an investment quickly at a reasonable price. DLOMs

generally fall in the range between 10% and 40%. However, there are circumstances where the appropriate discount could be significantly in excess of 40%.

Whilst subject to a number of policy and regulatory considerations, as a general rule unlisted companies do not have the same disclosure obligations as listed companies, who typically have additional statutory obligations as well as obligations to comply with ASX or NSX Listing Rules. As a result, the operations and performance of unlisted companies are typically not as transparent as listed companies.

10. Section 10: Additional Information

Items 10.1 – 10.15 of Section 10 of the Target's Statement are deleted and replaced with the following:

10.1 Issued Capital

As at the date of this First Supplementary Target Statement, BHD has:

- a) 24,155,241 fully paid ordinary shares on issue; and
- b) 16,674,856 BHD Options on issue.

10.2 Substantial holders

According to the substantial holder notices given to BHD as at the date of this First Supplementary Target's Statement, the substantial shareholders of BHD and the number of BHD Shares held by those substantial shareholders directly, and the number of BHD Shares in which those substantial shareholders and their Associates have a Relevant Interest are as follows:

Name	Number of BHD Shares directly held	% of issued capital of BHD	Number of BHD Shares in which hold a Relevant Interest	Voting Power
John Bridgeman Limited	4,110,340	17.02%	4,110,340	17.02%

In the Target Statement, Investment Administration Services Pty Ltd (**IAS**) was stated as being a substantial holder of BHD. Based on the last substantial holder notice lodged by IAS on 15 May 2017, and on the basis that IAS have a relevant interest in the same number of shares (being 1,166,596), IAS would no longer be considered a substantial holder of BHD. This is because since this time BHD have issued further securities which has diluted IAS's holding.

10.3 Notice of JBL's Voting Power

As at the date of the Target's Statement, JBL held a Relevant Interest in 2,568,764 BHD Shares and held Voting Power of 10.63%.

As at the date of this First Supplementary Target Statement, JBL holds a Relevant Interest in 4,110,340 BHD Shares and held Voting Power of 17.02%.

10.4 Directors of BHD

As at the date of this First Supplementary Target Statement, the Directors of BHD are:

Name	Position
Gary Miller	Non-Executive Director
Suliman Ravell	Non-Executive Director
Michael Glennon	Non-Executive Director

10.5 Interests of Directors in BHD Shares and BHD Options

As at the date of this First Supplementary Target's Statement, the number of BHD Shares and BHD Options in which each Director has a Relevant Interest are set out below:

Director	Number of BHD Shares directly held	Number of BHD Shares in which hold Relevant Interest	Voting Power	Number of BHD Options directly held	Number of BHD Options in which hold Relevant Interest
Gary Miller	0	56,699	0.23%	0	50,000
Suliaman Ravell	0	1	0.0000041%	0	0
Michael Glennon	0	0	N/A	0	0

Each Director who owns or controls BHD Securities intends to **REJECT** the JBL Offer in respect of their BHD Securities.

10.6 Recent dealings in BHD Securities by Directors

No Director has acquired or disposed interests in any BHD Securities in the four months preceding the date of this First Supplementary Target's Statement.

10.7 Directors' interests and dealings in JBL

None of the Directors have directly acquired or disposed of any securities of JBL, or any related body corporate of JBL in the four months preceding the date of this First Supplementary Target's Statement.

10.8 Impact of the JBL Offer on BHD's senior management and Director arrangements

Director arrangements

As a result of the JBL Offer, no benefit (other than a benefit permitted by the Corporations Act) will or may be given to a Director in connection with their retirement from office in BHD or a related body corporate of BHD.

BHD does not propose and, except as otherwise disclosed in this First Supplementary Target's Statement, is not aware of any proposal in connection with the JBL Offer that will confer a benefit:

- a) on any person in connection with the retirement of that person from a board or managerial office of BHD or related body corporate of BHD; or
- b) that will or may be given to any person in connection with the transfer of the whole or any part of BHD undertaking or property.

Other than as disclosed in this First Supplementary Target's Statement, no Director has agreed to receive, or is entitled to receive, any benefit from JBL which is conditional on, or is related to, the JBL Offer, other than in their capacity as a holder of BHD Securities.

No agreement has been made between any current Director and any person in connection with, or conditional upon, the outcome of the JBL Offer, other than in their capacity as a holder of BHD Securities.

Other than as disclosed in this First Supplementary Target's Statement, no current Director has any interest in any contract entered into by JBL.

10.9 Material contracts

BHD is not, after due inquiry, aware of any material contract that has been entered into by BHD that contains a change of control provision that may be triggered if JBL acquires BHD Shares as a result of the JBL Offer.

10.10 Material litigation

The Section 249F Meeting proceedings were finalised. On 4 June 2019, Justice Applegarth heard the matter, made a determination and delivered the reasons for the decision *ex tempore*. His Honour declined to grant the relief sought because, to the extent BHD established procedural irregularities, his Honour was not of the opinion that they have caused or may cause substantial injustice that cannot be remedied by an order of the Court or steps taken by the Respondents. His Honour declared that the notice of meeting of members of BHD distributed by the Respondents, and its enclosed proxy form, are not invalid, including by reason of any contravention of either section 249J or section 250BA of the Act, or either clause 16.3(a) or clause 17.1(a) of BHD's Constitution.

His Honour further ordered the originating application be dismissed and BHD pay the Respondents' costs on a standard basis, to be assessed if not agreed. At the date of this First Supplementary Target's Statement costs have not been discussed, nor agreed between the parties to the proceeding and the Directors are unable to provide an estimate of the likely costs.

The current board of BHD is taking advice in relation to a range of other proceedings, the nature of which is presently confidential and subject to legal professional privilege.

10.11 Consents

Each person named in this section of this First Supplementary Target's Statement as having given its consent to being named in, or to the inclusion of a statement in, this First Supplementary Target's Statement:

- a) has not authorised or caused the issue of this First Supplementary Target's Statement;
- b) does not make, or purport to make, any statement in this First Supplementary Target's Statement or any statement on which a statement in this First Supplementary Target's Statement is based, other than those statements which have been included in this First Supplementary Target's Statement with the consent of that person; and
- c) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this First Supplementary Target's Statement, other than a reference to their name and any statements or reports which have been included in this First Supplementary Target's Statement with the consent of that person.

Independent Expert

Since the date of the Target's Statement, Leadenhall has withdrawn their opinion set out in the Independent Expert Report that was included in the Target Statement. For further details please refer to the Updated Opinion.

Leadenhall has given, and has not withdrawn before lodgment of this First Supplementary Target's Statement with ASIC, its written consent to:

- a) be named in this First Supplementary Target's Statement as the independent expert engaged by BHD in the form and context in which it is named;
- b) the inclusion of the Updated Opinion and statements noted next to its name, and the references to that Updated Opinion or statements, in the form and context in which they are included in this First Supplementary Target's Statement; and
- c) the inclusion of other statements in this First Supplementary Target's Statement that are based on or referable to statements made in the Updated Opinion or statements that are based on or referable to other statements made by those persons in the form and context in which they are included in this First Supplementary Target's Statement.

Other persons

Since the date of the Target's Statement AJ&Co Lawyers have ceased to act for BHD. BHD has since appointed Corrs Chambers Westgarth as its Australian legal advisor.

Corrs Chambers Westgarth has given, and has not withdrawn before lodgment of this First Supplementary Target's Statement with ASIC, its written consent to be named in this First Supplementary Target's Statement as BHD's Australian Legal Advisor.

Link Market Services Limited has given, and has not withdrawn before lodgment of this First Supplementary Target's Statement with ASIC, its written consent to be named in this First Supplementary Target's Statement as BHD's Registry in the form and context in which it is named.

10.12 Approval of First Supplementary Target Statement

This First Supplementary Target's Statement is dated 23 July 2019 (being the date on which this First Supplementary Target's Statement was lodged with ASIC) and has been approved by a resolution of the Directors of BHD.

Signed for and on behalf of BHD:

A handwritten signature in black ink, appearing to read 'G. Miller', written in a cursive style.

Gary Miller

Director

11. Section 13: Corporate Directory

Section 13 of the Target Statement is deleted and replaced with the following:

13.1 Directors

Gary Miller
Michael Glennon
Suliemman Ravell

13.2 Company Secretary

Michael Glennon

13.3 Registered Office

C/- GLENNON CAPITAL
LEVEL 17
25 BLIGH STREET
SYDNEY NSW 2000

13.4 Legal Advisor

Corrs Chambers Westgarth
Level 17, 8 Chifley
8-12 Chifley Square
Sydney NSW 2000

13.5 BHD Registry

Link Market Services Limited
Level 21, 10 Eagle Street
Brisbane QLD 4000

Annexure B

Updated Opinion

19 July 2019

The Directors
Benjamin Hornigold Limited
GPO Box 3112
Brisbane QLD 4001

Dear Directors,

Independent Expert's Report for Benjamin Hornigold Limited

1. Introduction

On 26 April 2019 John Bridgeman Limited ("**JBL**") made an offer to acquire all of the shares in Benjamin Hornigold Limited ("**BHD**") which it did not currently own ("**BHD Offer**"). The consideration offered under the BHD Offer was initially 1 JBL share per BHD share.

On 28 May 2019 JBL announced an increase in the consideration offered pursuant to the BHD Offer to 1.5 JBL shares per BHD share. On 30 May 2019 BHD issued its target's statement in response to the BHD Offer. The target's statement included an independent expert's report ("**IER**") prepared by Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**") which concluded that the BHD Offer was fair and reasonable to BHD shareholders that are not associated with JBL ("**Shareholders**").

As set out on page 3 of the IER, prior to the announcement by JBL of the increase in consideration we provided a substantially complete draft of our IER to the independent directors of BHD. The conclusion set out in that draft was that the BHD Offer was not fair. Subsequent to receipt of the revised terms of the BHD Offer we issued the IER which concluded that the BHD Offer was fair and reasonable.

On 13 June 2019, it was announced that all previous directors of BHD had resigned and that Mr Gary Miller, Mr Sulieman Ravell and Mr Michael Glennon were appointed as directors of the company. The new board of BHD has announced its intention to make several changes that will impact the value of both BHD shares and JBL shares.

This letter was commissioned to provide an update on the opinion reached in our IER and should be read in conjunction with the IER and financial services guide.

2. Significant changes since the issue of the IER

A significant number of changes have arisen since the IER was issued, including the following:

- ◆ We have been informed by the current BHD board that BHD has requested JB Markets and Saxo to stop opening new positions and making withdrawals from trading accounts on behalf of BHD.
- ◆ We have been informed that on 18 June, BHD issued advice to JBL that, effective immediately, Authorised Investments as defined in the investment management agreement ("**IMA**") are only to consist of "cash investments held in At Call accounts in Australian Dollars at an Authorised Deposit taking Institution held in the name of Benjamin Hornigold Limited". We have further been informed that JBL responded, noting that under the IMA, its appointment is exclusive and the IMA does not provide the BHD directors the right to issue such directions. We understand that the dispute about whether BHD's board has the right to direct the investments of BHD remains unresolved and may become the subject of legal proceedings.
- ◆ BHD's board has advised us that they believe there are grounds to have the IMA terminated due to breach of its terms by JBL with no break fee. Conversely JBL has informed us they believe that the IMA cannot be terminated, even with the payment of a break fee, until it expires on 29 March 2022. We have requested, but not been provided with, legal opinions on this matter from BHD and JBL.

- ◆ On 21 June 2019, BHD made an announcement that included a letter from the ASX responding to enquiries of the previous board as to the reasons for the continuing suspension of trading in BHD shares. The letter from the ASX notes that the ASX continues to hold serious concerns about the conduct of BHD, Henry Morgan Limited (“HML”) and JBL which include but are not limited to poor governance practices, continued transactions with unlisted entities connected with Mr Stuart McAuliffe and concerns as to whether BHD still satisfies the definition of “investment entity” within the Listing Rules. In addition, the ASX notes it is their understanding that there are ongoing investigations by ASIC into the activities of BHD and HML and that it would be inappropriate to reinstate trading of BHD securities until the outcome of ASIC’s investigations are known. Whilst we note that the letter from ASX was received on 30 May 2019 we were not provided with a copy of the correspondence until the new board took control of BHD.
- ◆ We have been informed by BHD that the former board of BHD resolved to amend the required notice period for the recall of the foreign currency notes owned by BHD and traded by Crown Currency from 28 days to eight months. We have been further informed that the minimum return was also increased from 5.00% to 9.65%. The current board of BHD has informed us that it is investigating whether this change to the agreement can be set aside and that on 3 July 2019 its legal adviser gave written notice requesting the return of the notes within 30 days.
- ◆ In their second supplementary bidder’s statement dated 31 May 2019, JBL advised that on 29 May 2019 JBL filed an application for preliminary discovery against the NSX seeking documents relating to, or leading to, the decision by the NSX to suspend trading in JBL’s securities on 10 April 2019. We have not been provided with any further information in relation to these proceedings.
- ◆ The current board have advised that they reserve the rights of BHD in relation to any potential legal actions available in respect of the conduct of JBL and the previous board of BHD. We have requested but not been provided with any information as to the nature or quantum of any potential legal actions.
- ◆ BHD has previously provided loans to Genesis Proprietary Trading Pty Ltd (“**Genesis**”). As a result of a merger between Genesis and Propex (comprised of Propex Derivatives Pty Ltd and Propex Singapore Pte Ltd), the former BHD board agreed to assign the loan from Genesis to JB Financial Group Pty Ltd (“**JBFG**”). The assignment of the loan took effect from 7 May 2019 on which date the balance was \$857,994.52. We understand the current board is investigating the validity of this assignment.
- ◆ The former board of BHD also resolved to make a number of changes to the convertible loan extended by BHD to JBFG. These changes included the relinquishment of the right to convert to Genesis shares, a reduction in the conversion price to JBFG shares from \$6.14 to \$4.65, an extension of the repayment date from March 2020 to September 2020 and an increase in the interest rate from 9.65% per annum to 10.5% per annum. We understand the current board is investigating the validity of these changes.

3. Provision of information

BHD’s board has not provided us with all of the information concerning BHD that we have requested from them in order to enable us to analyse the impact of the changes highlighted above on the value of a BHD share. The board has not provided us with some of this material on the basis that they consider it to be subject to legal professional privilege. The board has further advised that they are unable to provide certain information because they state that they are unable to obtain it from JBL or the former board of BHD. We have also requested information from JBL in order to update our opinion on the value of a JBL share. While JBL has no obligation to provide information to us, it has provided some of the information requested (including a trading update for BHD) but the information provided is insufficient in our opinion to reliably form a conclusion on the current value of a JBL share.

As a result of the lack of information, we are unable to form an opinion on the fairness and reasonableness of the BHD Offer at the present time. We have provided below some commentary on the likely directional impact of the changes on the values of both BHD shares and JBL shares.

4. Trading update

We note that the below is based on management accounts provided by JBL and we have not verified or audited the information.

Table 1: BHD financial performance

\$'000	9 mths to 31 Mar 19	11 mths to 30 May 19	Change
Investment income			
Net realised gain/(loss) on financial instruments at fair value	(536)	(449)	86
Net unrealised gain/(loss) on financial instruments at fair value	(185)	17	202
Foreign exchange gains	115	133	18
Trading fee on foreign currency investment	162	218	56
Other income	115	115	(0)
Total income	(329)	34	362
Expenses			
Broker commission costs	(1,507)	(1,815)	(308)
Directors' fees	(90)	(113)	(23)
Management fees	(336)	(409)	(72)
Performance fees	-	-	-
Other expenses	(1,302)	(1,617)	(314)
Total expenses	(3,236)	(3,954)	(718)
EBITDA	(3,565)	(3,920)	(355)
Depreciation & amortisation	-	-	-
EBIT	(3,565)	(3,920)	(355)
Interest income	540	600	61
Interest expense	(4)	(4)	-
Net profit/(loss) before tax	(3,029)	(3,324)	(294)
Income tax	815	891	75
Net profit/(loss) after tax	(2,214)	(2,433)	(219)

Source: JBL

In relation to the table above we note the following:

- ◆ The positive change in total income is primarily due better trading performance.
- ◆ Trading fee income has increased at a greater rate over the last two months due to the increase in the rate of return on foreign currency notes.
- ◆ The better trading performance was offset by broker commission costs.
- ◆ The increase in other expenses was primarily attributable to an increase in legal fees associated with the current takeover offer and statutory requirements for holding meetings of members.
- ◆ Net loss after tax was lower than the run rate than recorded in the nine months to 31 March 2019 predominantly due to the significant improvement in the trading result.

The table below set out the change in the financial position of BHD between 31 March 2019 and 31 May 2019. We note that the below is based on management accounts provided by JBL and we have not verified or audited the information.

Table 2: BHD financial position

\$'000	Mar-19	May-19	Change
Assets			
Cash & cash equivalents	244	348	104
Balances held with brokers	2,133	417	(1,716)
Investments at fair value through profit or loss	8,985	9,646	661
Loans and other receivables	2,211	2,636	426
Prepayments	20	13	(7)
Deferred tax assets	2,597	2,728	130
Total assets	16,190	15,787	(402)
Liabilities			
Derivative financial liabilities	(202)	(0)	202
Trade and other payables	(213)	(153)	60
Current tax payable	(123)	(201)	(78)
Total liabilities	(538)	(355)	183
			-
Net assets	15,652	15,433	(219)

Source: JBL

In relation to the financial position of BHD set out above we note the following:

- ◆ The increase in investments is primarily attributable to an increase in foreign currency banknotes. The balance of foreign currency banknotes as at 31 May 2019 was \$7.12 million compared to \$6.49 million at 31 March 2019. This increase was facilitated by a decrease in balances held with brokers.
- ◆ The increase in loans and other receivables is primarily attributable to a new receivable from JBFG of \$0.5 million. We do not have any information in relation to the nature of this receivable although we understand it has now been repaid.
- ◆ The decline in derivative financial liabilities is due to a decrease in derivative liabilities with Saxo.
- ◆ The overall decline in net assets is in line with the loss incurred over the same period.

5. Impact on the value of BHD

The changes highlighted above could have a significant impact on the value of BHD shares as discussed below.

Factors which may increase the value of a BHD share

Contingent claims

BHD's board believes there are grounds for claims against JBL and potentially other third parties. The potential claims have not been quantified and the likelihood of them being realised has not been assessed. We are therefore unable to reliably quantify the potential increase in value (if any) arising from these claims.

Factors which may decrease the value of a BHD share

Trading result

As set out above BHD has recorded a loss of \$219,000 in the two months to 30 May 2019.

Additional costs

The ongoing dispute with JBL has given and may continue to give rise to legal and professional fees reducing the value of BHD. BHD's board has not provided us with an estimate of these costs, thus we are unable to quantify the impact on the value of a BHD share.

Loans to JBL and JBFG

The fair market value of loans to JBFG (\$3.4 million as at 31 May 2019) and JBL (\$1.1 million as at 31 May 2019) may have decreased as a result of increased credit risk associated with these entities arising from the changes in their circumstances described in section 2 of this letter.

6. Impact on the value of JBL

Factors which may increase the value of a JBL share

Fund inflows and JB Trading House trading volumes

JBL has advised that JBL High-Alpha funds under management has increased from \$4.1 million as at 30 May 2019 to \$4.4 million as at 28 June 2019. However, this has not been verified. JBL has also informed us that it is planning to launch a new retail fund in late July 2019 which could facilitate additional trading volumes (and commissions) for JB Trading House. At present we are unable to confirm the likelihood of a fund raising being completed within this timeline or the quantum of funds that may be raised.

Progress of Genesis merger

Genesis has been involved in ongoing merger negotiations with Propex for some time. We have been informed that the merger has now been agreed although we have not seen signed transaction documentation. JBL has informed us that it expects significant synergy benefits predominantly related to cost reduction initiatives such as terminating the lease on Genesis' office space and a reduction in exchange fees due to the benefits of scale.

Factors which may decrease the value of a JBL share

Potential loss of BHD trading volumes

Historically, a significant portion of JB Trading House's revenue has been earned from trading on behalf of BHD. BHD's board is seeking to terminate this trading as soon as possible. There is significant contention regarding BHD's board's ability to terminate the investment management agreement with JBL. If the agreement was terminated, then JB Trading House would lose the revenue associated with brokerage from BHD trading. A loss of this trading volume would reduce the level of maintainable earnings of JB Trading House significantly.

If JB Trading House was unable to replace the lost volumes from BHD, it is conceivable that its maintainable earnings could fall to zero. However, we understand that the management of JBL does not anticipate a significant drop in the profitability of JB Trading House in this scenario as a result of BHD's trading volumes being replaced by the increased FUM in the JB Hi-Alpha Fund and the growth expected from the launch a new retail fund.

Potential loss of BHD management fees

As we placed a nominal value on JBL's funds management business (\$0 to \$100,000) in our IER, the impact on our valuation of losing BHD's management fees would be limited.

Crown currency funding

BHD has given written notice recalling the foreign currency notes loaned to Crown Currency. If Crown Currency is unable to successfully fight this demand, it would be required to find an alternative source of funding in a reasonably short period.

We understand that it is the opinion of JBL's management that it would not be in the best interests of BHD shareholders to terminate BHD's investment in Crown Currency's foreign currency banknotes and JBL disputes BHD's right to recall the funding. There is therefore material uncertainty about Crown Currency's ability to retain the funding currently provided by BHD.

Given the current level of regulatory scrutiny surrounding the JBL group, Crown Currency may find it difficult to attract outside investment in the short timeframe requested by BHD. If Crown Currency was unable to secure finance, its directors may be forced to sell the business. There is a risk that any such sale would be at a significantly discounted value due to the short time frame and the regulatory issues facing the group.

ASIC investigation

In a letter from the ASX to BHD dated 30 May 2019 it was noted HML and BHD are currently the subject of ASIC enquiries. The nature of these enquiries is not stated. We understand that ASIC is unable to provide further comment on the nature of the investigations. However, given the inter-related nature of group operations it is possible that the investigation extends to include the activities of JBL.

Without knowing the nature of ASIC's investigations, and whether the investigation is ongoing, it is impossible to reliably quantify the impact on the value of JBL shares. As ASIC has a wide range of investigative and enforcement powers, any adverse findings or decision by ASIC could negatively impact JBL and JBFG including JBTH. We note that the value of the parts of JBL's business that we consider most likely to be impacted represented approximately \$0.14 out of a total assessed value of \$0.34¹ per JBL share. This issue therefore clearly presents a material uncertainty.

Contingent liabilities

As noted above, BHD's board believes there are grounds for claims against JBL. JBL states that it does not agree. The potential claims have not been quantified and the likelihood of them being realised has not been assessed. We are therefore unable to reliably quantify the potential fall in value arising from these claims.

Additional costs

The ongoing dispute with BHD, the proceedings against NSX and various other actions undertaken by JBL will give rise to significant legal and professional fees reducing the value of JBL. JBL has not provided us with an estimate of these costs thus we are unable to quantify the impact on the value of a JBL share.

Trading suspension

The letter from the ASX outlining its concerns about the conduct of BHD, HML and JBL potentially provides insight into the reasoning for NSX suspending trading in JBL shares. We made enquiries of NSX personnel seeking to better understand the cause of the suspension, but they were not able to disclose the nature of their enquiries to us. If NSX's concerns are similar to those expressed by ASX, it is unlikely anything other than the separation of the group would address the issues identified. The NSX has broad powers available to delist companies which they consider are not suitable for the exchange and they have exercised this power in the past.

As a result of these considerations we consider there to be a low likelihood of trading in JBL shares recommencing. This significantly reduces the value of a JBL share on a minority basis.

¹ Using the midpoint of our assessed range and a 25% level of acceptance as an example.

7. Opinion


The factors described above outline a degree of uncertainty regarding the value of a BHD share and very significant degree of uncertainty regarding the value of a JBL share. Based on the limited information currently available to us, the range of potential values we consider reasonable for each security is too wide to provide useful analysis. We are therefore currently unable to form an opinion on the fairness or reasonableness of the BHD Offer. Accordingly, we withdraw the opinion stated in our IER dated 30 May 2019 that the BHD Offer was fair and reasonable. Therefore, BHD shareholders should not rely on the previous opinion due to the change in circumstances.

The choice facing BHD shareholders is whether to continue holding their BHD shares and potentially receive the proceeds from the realisation of its assets over time, or to accept JBL shares under the BHD Offer, which based on the discussion above face a greater degree of uncertainty in their valuation.

Yours faithfully



Dave Pearson
Director



Richard Norris
Director