

4 October 2019

The Manager
NSX Market Announcements

Investment Update – 30 September 2019

The Board provides the following unaudited investment update.

Company	% Of Portfolio
Horizon Oil Ltd (HZN)	41%
NGE Capital Ltd (NGE)	14%
Aveo Group Ltd (AOG)	9%
Bowen Coking Coal Ltd (BCB)	8%
Allegiance Coal Ltd (AHQ)	4%
Spirit Telecom Ltd (ST1)	3%
Other Securities	5%
Cash	15%
Total	100%

The September quarter was a positive one. The main contributors for the month were Bowen Coking Coal up 26%, Horizon Oil up 33%, Karoon Energy up 66%.

We sold out of Karoon Energy during the quarter for a 66% gain (\$191k) in just over two months. In hindsight we should have allocated more to KAR but hesitated given our caution toward markets at the moment. In any event, we'll take the profit and move on.

We added Aveo Group (AOG) during the quarter. We acquired this at an average price of \$2.015 per security prior to the Brookfield scheme being announced/confirmed. It was our view that AOG ticked a number of boxes for Brookfield (based on previous transactions) including long-term in nature, development pipeline (which could complement their construction business), hard asset backing and opportunistic pricing. The scheme consideration is \$2.195 including the final distribution of \$0.045. This is lower than we hoped however it will generate an 8.9% return in less than 6 months if held through to implementation.

October 5th marks 12 months since the Dawney/Mercantile transaction settled. Diluted settlement NTA per share was 16c. At 30 September pre-tax NTA was 18.05c and post-tax was 17.81c. This reflects a 12.8% and 11.3% return respectively. Further, we believe an important measure is the gross return on opening assets, which was 17.2%. We operate with a largely fixed cost base and because we are a small company the cost ratio/MER is relatively high. Our view is that as the company's assets grow through investment and non-dilutive capital raisings and costs remaining largely fixed, more of the gross return will fall to the pre and post tax NTA figure. The usual disclaimer of past performance not being an indicator of future performance applies.

Unaudited Pre-tax NTA per share:	18.05c
Unaudited Post-tax NTA per share:	17.81c

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