

THORNEY OPPORTUNITIES LTD

ACN 080 167 264

27 September 2016

Dear fellow TOP shareholder

Our company, Thorney Opportunities Ltd (TOP), has continued to perform extremely well.

Since 30 June TOP's Net Tangible Assets per share (NTA) has grown by approximately 11% and stood at 67.4 cents as at the end of August. This compares to an NTA of 60.3 cents as at 30 June this year. The increase in TOP's NTA since June 30 2015 has proven our company to be one of the very best performing Listed Investment Companies on the ASX.

TOP's share price has also increased strongly. At the time of writing it stood at 66 cents compared to 58 cents at 30 June. It is gratifying to see that TOP's share price is now more closely aligned to its NTA, which is something I have been calling for some time. My next aspiration for the TOP share price is to see it trade at a healthy premium to NTA as a result of delivering consistently strong returns for shareholders.

The stellar growth outlined above reflects the strong market response to the most recent financial results reported by a number of TOP's core portfolio companies.

The Board and I are pleased with the portfolio companies' profit result performance and in the resilience of their share prices despite recent market volatility. The quality of results is a credit to the companies and to the due diligence and analytical abilities of the Thorney Management Services investment team. I believe the companies which comprise the core TOP portfolio still have plenty of potential to grow and add further to our NTA in the future.

I will now outline some of the key highlights and developments within the portfolio since the recent reporting season.

Service Stream Limited (SSM)

SSM is one of TOP's core holdings and its outstanding share price performance this year has been a major contributor to TOP's strong NTA growth. TOP first acquired shares in SSM at around 21 cents compared to the current price of \$1.02.

TOP holds 7.9% of SSM and its associate, Thorney International Pty Ltd, holds 18.0% representing a combined relevant interest of 25.9% in the company.

SSM delivered on all its key financial and strategic targets and reported a record net profit after tax (NPAT) result of A\$20.0 million.

The company has a robust balance sheet with A\$41.0 million of net cash and paid increased dividends. The continuing and accelerating rollout of the National Broadband Network ensures SSM is well positioned for further growth. A nationwide workforce and good contract flow combined with a strong financial position means they will be able to fund their growth initiatives.

Money3 Corporation Limited (MNY)

TOP, holds 5.5% of MNY and its associate, TIGA Trading Pty Ltd (TIGA), holds 5.5% representing a combined relevant interest of approximately 11.0% in the company, as well as MNY corporate bonds and options.

Like SSM, MNY achieved a number of record financial milestones during 2016, in particular an above guidance NPAT of A\$20.1 million.

The environment for non-bank consumer lenders continues to improve at a fast rate as the major banks withdraw from this sector of the market due to regulatory capital requirements.

The new leadership of MNY from the Board down is stable and committed and with a rapidly growing order book in the automotive lending sector is focused on building a far more efficient, profitable and cash flow driven business.

TOP believes the market now has a better level of understanding of MNY's business and the key drivers of its earnings profile. This understanding has been reflected in the strong share price performance witnessed since the beginning of May 2016 which I expect will encourage new investors onto the register.

iSelect Limited (ISU)

During the course of 2016 both TOP and TIGA have steadily established positions in this innovative online health, utilities, insurance and other services price comparison-company and we are optimistic about its future.

TOP itself currently holds just under three million ISU shares acquired at an average price of \$1.16 compared to the current price of about \$1.86.

We believe the new leadership team has proven the economic value of ISU's business model and acted wisely in undertaking a share buyback when prices were at lower levels. ISU's recent results were on the high side of market expectations and we believe the company has exciting times ahead.

Diversa Limited (DVA)

DVA is another of TOP's core holdings which has seen strong share price growth this year. A recent meeting of DVA shareholders, voted overwhelmingly in favour of the proposed acquisition by OneVue Holdings Limited (OVH) of 100% of the issued shares in DVA.

In recent months, TOP has increased its shareholding in DVA to around 19.0% and believes the merger with OVH will deliver significant synergy benefits.

At the time of writing, the proposed acquisition by OVH had just been approved by the Federal Court of Australia and the parties were moving toward completing the merger transaction.

Austin Engineering Limited (ANG)

Along with its associates, Thorney Holdings Pty Ltd and Thorney International Pty Ltd, TOP has a relevant interest of around 24.7% in ANG.

The Thorney Group helped lead moves to recapitalise the ANG balance sheet and put the company in a strong position to repay its bankers. This will give ANG runway to focus on operational improvements and complete its review of assets as it deals with the impact of the mining downturn.

The Board is currently reviewing CEO candidates and has some new directors to help implement their strategy.

It is not clear yet exactly where we are on the mining cycle but it does feel like the worst is over. We are seeing signs of more new orders and a fuller tender book for ANG at present and this augurs well for a recovery.

AMA Group Limited (AMA)

TOP holds an interest of just under 5.0% of AMA.

AMA had a very strong profit result and the current year will see significant synergies extracted from the acquisitions it made during 2015/ 2016. We believe there are still plenty of opportunities ahead for the company because AMA still only has about 4-5% market share nationally.

We continue to be very optimistic about AMA's prospects. We believe the company has both the potential and the opportunity to significantly increase its current market share within a few years, especially after securing its new debt facility to fund working capital and future acquisitions.

Fairfax Media Limited (FXJ)

TOP, and its associates within the Thorney Group of Companies, continue to believe FXJ is undervalued by the market and have taken advantage of some recent share price weakness to increase its holdings.

An example of our thinking about FXJ being undervalued is that its Domain division's most recently reported EBITDA earnings are around \$110m to \$120m. When Domain's ASX-listed competitor REA Group Ltd was reporting similar EBITDA levels, REA's market capitalisation was roughly the same as FXJ's entire market capitalisation today. In other words, the market is currently valuing all of FXJ's extensive non-Domain assets at close to zero, a value which we believe is much too conservative to say the least.

This market valuation does not take into account the fine job management is doing to reposition the company.

Our view remains that, with its strong balance sheet, FXJ could and should both increase its dividends and take advantage of the market's undervaluation to buy back more of its own shares. These measures would be to the benefit of both the company and all its shareholders.

Thorney Technologies Ltd

As I've mentioned in previous updates, the private Thorney Group is proceeding with the proposed launch of a new Listed Investment Company (LIC) called Thorney Technologies Ltd which will focus on technology-based investment opportunities across the full life cycle of technology businesses.

Subject to the relevant approvals, the new LIC is expected to list on the ASX later this year. Early indications from sophisticated private investors have been very encouraging with expressions of interest well above our initial target.

TOP shareholders will be offered a priority allocation to participate in the proposed retail capital raising, which is expected to be made available under a prospectus to be distributed in November. More details will follow in coming weeks.

Market Outlook

Overall the share market has performed strongly in recent months but has been subject to the recurring volatility we have been concerned about for some time. The market is hyper-sensitive to the attitude of central banks around the world, in particular the US Federal Reserve. To date, when markets have fallen on volatility it has proven to be a buying opportunity because the rebound has been quite strong. The core TOP portfolio has proved to be comparatively robust in the face of recent volatility and I am confident this will continue to be the case going forward.

I look forward to communicating with you again shortly.

Best regards

A handwritten signature in blue ink, appearing to read 'Alex Waislitz', with a long horizontal flourish extending to the right.

Alex Waislitz
Chairman