



Henry Morgan

Announcement

Henry Morgan Limited

ACN 602 041 770

22 May 2018

Response to ASX Query

Set out in the attachments below are:

1. Letter from Allens setting out Henry Morgan Limited's response to a letter from the ASX dated 18 May 2018.
2. Letter from ASX dated 18 May 2018.

Kevin Mischewski
Company Secretary
Henry Morgan Limited

Email: cosec@henrymorgan.com.au

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21 May 2018

Mr Adrian Smythe
Manager, Listings Compliance
ASX Limited

By email: adrian.smythe@asx.com.au

Dear Mr Smythe

Henry Morgan Limited (HML)

We refer to your letter dated 18 May 2018.

We are instructed to respond as follows.

HML believes it is important to note the following:

- 1 HML's appointment of BDO to review the valuation methodology used to calculate its monthly NTA disclosure was a **voluntary** offer in good faith to provide external confirmation that its valuation processes were appropriate.
- 2 HML specifically refutes your statements that it 'linked' or 'coupled' the appointment of BDO's review of its NTA calculations with the completion of the IER for the acquisition of HML's shares in JB Financial. In fact, HML and BDO entered into two separate engagements, one for the production of the IER on 2 August 2017 and one for the NTA Review on 14 August 2017. These letters did not link either engagement to the other. However, BDO subsequently advised HML that they needed to complete the IER valuation work before they could undertake the NTA Review.
- 3 HML remains, as it has been at all relevant times, willing and able to provide ASX with an NTA in accordance with Listing Rule 4.12, noting that this rule does not expressly require the NTA be externally reviewed on a monthly basis before it is provided to ASX. ASX has refused to accept a management NTA or lift the voluntary suspension of the company's securities despite HML lodging audited accounts for 30 June 2017 and half-year audit-reviewed accounts for 31 December 2017. Accordingly, HML submits that ASX's refusal to accept HML's management NTA has had the result of preventing HML from complying with Listing Rule 4.12.
- 4 HML remains, as it has been at all relevant times, willing to provide ASX with an NTA which has been externally reviewed. HML intends to comply by 8 June 2018 with ASX's request to provide NTA calculations for May 2018 as well as for each month from May 2017 to April 2018, inclusive, which are reviewed by an external expert.
- 5 The Board of HML takes its obligations under the Listing Rules very seriously and reiterates that HML is willing and able to comply with these obligations and ASX's requests.

Our Ref FGGB:120695739
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ASX Limited

Allens & Linklaters

Yours faithfully



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18 May 2018

Mr Geoff Rankin
Partner
Allens
480 Queen Street
Brisbane QLD 4000

By email

Dear Mr Rankin,

Henry Morgan Limited (“HML”)

Thank you for your letter of 16 May 2018, responding on behalf of HML to the letter sent by ASX Limited (“ASX”) to Mr Kevin Mischewski of HML on 10 May 2018.

ASX’s 10 May 2018 letter referred to the following:

1. *HML’s announcement on 26 May 2017 that its investment manager, John Bridgeman Limited (“JBL”), proposed to acquire HML’s stake in JB Financial Group Ltd (“JBFG”).*
2. *The suspension of HML’s shares and options from trading on 9 June 2017 at its request following the receipt of a statement of concerns raised by ASIC about a prospectus issued by HML, including concerns about HML’s calculation of its net tangible asset backing per share (“NTA”) required under Listing Rule 4.12.*
3. *The announcement made by HML on 3 August 2017, that it had appointed BDO Corporate Finance (Qld) Ltd (“BDO”) to prepare an independent expert’s report on the fairness and reasonableness of JBL’s acquisition of HML’s shares in JBFG (the “IER”).*
4. *The announcement made by HML on 15 August 2017 BDO had also been appointed to review HML’s valuation of its unlisted investments included in its monthly NTA disclosure as part of addressing ASIC’s concerns.*
5. *ASX’s emails dated 19 January 2018 and 18 April 2018 asking HML to make an announcement to update the market in regards to the delay of the production of BDO’s report on HML’s NTA. As a result of ASX’s emails, HML made an announcement on 5 February 2018 titled ‘Business Update’ and 20 April 2018 titled ‘Update on BDO’s IER’, respectively.*
6. *HML’s response to ASX’s query released on the ASX Market Announcements platform on 7 March 2018, in particular, HML’s response to question 14 noting the following:*

HML understands that BDO’s review of HML’s NTA calculation will be completed following the provision of their independent expert’s report on the fairness and reasonableness of the offer made by John Bridgeman Limited to acquire HML’s shares in JBFG. BDO’s independent expert’s report is expected to be received prior to the end of March 2018. HML believes it has taken all reasonable steps to cooperate with BDO and provide all relevant information, while at the same time not interfering with BDO’s independent processes, including timing.

7. *HML’s announcement on 30 November 2017 that HML and JBL had executed a share sale and put and call option agreement in relation to HML’s shares in JBFG.*
8. *HML’s announcement on 4 January 2018 that it had received a revised offer from JBL to acquire all shares in JBFG.*
9. *HML’s announcement on 28 February 2018 that JBL had revised the consideration offered for JBFG.*
10. *HML’s announcement titled “Update on BDO’s IER” released on 20 April 2018, advising that HML has received a new proposal in relation to its shares in JBFG, which is currently being assessed.*

ASX concluded that:

“By linking BDO’s report on HML’s NTA to the completion of the IER for acquisition of HML’s shares in JBFG, and then periodically re-negotiating the terms of that acquisition, HML has effectively delayed the production of BDO’s report on HML’s NTA. This in turn has led to a continuing breach by HML of Listing Rule 4.12 and its securities being suspended from trading on ASX for a considerable period, to the detriment of its security holders.

ASX notes that trading in the securities of HML has been suspended since 9 June 2017 and that HML last disclosed its NTA pursuant to Listing Rule 4.12 on 15 May 2017. ASX considers this unacceptable.”

You have stated that ASX’s 10 May 2018 letter contains a number of factual mistakes, including in relation to item number 4 above. You say that BDO was not appointed “as part of addressing ASIC’s concerns” about HML’s NTA disclosures but rather was “a voluntary offer in good faith to provide external confirmation that its valuation processes were appropriate”.

ASX considers this quibbling. ASIC has expressed a number of concerns (which are shared by ASX) about the values ascribed to HML’s unlisted assets in its NTA calculations and the methodology used to calculate those values. Whether HML volunteered the appointment of BDO or not, it was plainly done to allay those concerns.

You have also stated in your letter that ASX has made it impossible for HML to comply with Listing Rule 4.12 by requiring the NTA calculation to be externally reviewed. ASX specifically refutes this. HML announced the appointment of BDO to review its NTA calculations in August 2017 but elected to couple that work to the completion of the IER for the acquisition of HML’s shares in JBFG. This has led to an extended delay by HML in the release of its outstanding NTA reports, in breach of Listing Rule 4.12. ASX considers this delay to have been wholly caused by HML. It was open for HML at any time to require BDO to complete its report on HML’s NTA independently from completion of the IER and thereby reduce the time it continued to be in breach of the Listing Rules.

You have noted that Listing Rule 4.12 does not require HML’s NTA report to be externally reviewed, which is correct.

However, Listing Rule 18.7 empowers ASX to require a listed entity to give ASX any information, document or explanation that ASX asks for to enable it to be satisfied that the entity is, and has been, complying with the listing rules. The entity must do so within the time specified by ASX. ASX may submit, or require the entity to submit, any information given to ASX to the scrutiny of an expert selected by ASX and the entity must pay for the expert.

ASX’s previous requests for HML to provide an independent expert’s sign-off from BDO on HML’s NTA calculations was made pursuant to Listing Rule 18.7.

Listing Rule 18.8 also empowers ASX to impose any requirement on a listed entity to ensure compliance with the Listing Rules.

In accordance with Listing Rules 18.7 and 18.8, ASX requires HML to lodge all outstanding NTA reports due under Listing Rule 4.12 (that is, for the months ended May 2017, June 2017, July 2017, August 2017, September 2017, October 2017, November 2017, December 2017, January 2018, February 2018, March 2018 and April 2018), along with a report from an independent expert validating the methodology used to calculate its NTA and the accuracy of the calculations.

ASX notes HML’s termination of BDO’s mandate to provide the independent expert’s report. ASX will accept a report from HML’s new adviser Leadenhall Corporate Advisory Pty Ltd (“Leadenhall”) in lieu of a report from BDO, provided Leadenhall’s report complies with ASIC Regulatory Guides 111 and 112 and it is published on the Market Announcements Platform in due course.

To facilitate Leadenhall providing such a report, ASX will extend the 31 May 2018 deadline in its 10 May 2018 letter for the production of the independent expert’s report to 8 June 2018.

ASX reserves the right to ask additional questions or to require further information following lodgement of the outstanding NTA reports and the Leadenhall independent expert’s report.

As previously advised, ASX has broad powers under Listing Rule 17.12 to remove an entity from the official list if, in ASX’s opinion, the entity is unable or unwilling to comply with or breaks a Listing Rule or it is appropriate for some other reason.

If HML does not remedy its ongoing breaches of Listing Rule 4.12 and provide the requested independent expert's report by 8 June 2018 it is ASX's intention to ask HML to show cause why it should not be removed from the official list under Listing Rule 17.12.

ASX expects HML to make an immediate announcement to the market attaching a copy of this letter.

ASX reserves the right to release a copy of this letter and any response from HML on the ASX Market Announcements Platform under Listing Rule 18.7A.

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

Kind regards

[Sent electronically without signature]

Adrian Smythe

Manager, Listings Compliance

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