

ASX Announcement

16 May 2019

SALE AND DISTRIBUTION OF COMPANY'S ASSETS

Following a strategic review the board of directors are pleased to announce that the Company intends to convene a meeting for shareholders to consider a proposal to realise the assets of the Company in an orderly process and distribute the net proceeds to shareholders (**Sale and Distribution Proposal**).

Background

As announced on 21 February 2019, the Company commenced a strategic review to consider the various options available to improve liquidity and decrease the discount between its net tangible assets (**NTA**) and the price at which shares trade on the ASX.

A subcommittee of the board comprising independent directors was established to undertake the strategic review (**Subcommittee**). As part of that strategic review, the Subcommittee considered both the Sale and Distribution Proposal as well as a range of non-binding, incomplete and confidential proposals sourced from various parties.

None of those third party proposals provided all shareholders with an opportunity to cash out at a price reflective of NTA, nor in the Subcommittee's opinion, were they likely to satisfactorily address the substantial share price discount to NTA in an acceptable timeframe.

Conversely, the Sale and Distribution Proposal provides an opportunity for all shareholders to exit their investment at an amount which will be determined by reference to the sale price (after costs and expenses) of its underlying investments.

Therefore, in the absence of a superior proposal the Board believes it is in the best interests of shareholders to have the opportunity to vote on the Sale and Distribution Proposal. The Sale and Distribution Proposal will only proceed if the relevant resolutions are approved. The resolutions to approve the Sale and Distribution Proposal will be ordinary resolutions which require approval by the holders of 50% of the shares which are voted at the meeting.

NTA and investment portfolio

On 14 May 2019 the Company announced that the unaudited pre- and post-tax NTA of the Company as at 30 April 2019 were as follows:

- Pre-Tax NTA \$0.9005 per share
- Post-Tax NTA \$0.9075 per share

The Company has no debt and the main components¹ of its post-tax NTA at 30 April 2019 were as follows²:

- cash and cash equivalents of \$0.48 per share;
- ASX listed securities of \$0.39 per share; and
- unlisted securities of \$0.03 per share.

As at 30 April 2019 the Company's top 5 holdings (as a percentage of total investment assets including cash) are:

1. Gage Roads Brewing Co Limited - 4.4%;
2. Cooper Energy Ltd - 3.8%;
3. Over The Wire Holdings Limited - 3.7%;
4. The Citadel Group Limited - 3.7%; and
5. Noni B Limited - 3.3%.

Expected return in connection with the Sale and Distribution Proposal

The estimated selling and transaction costs in connection with the implementation of the Sale and Distribution Proposal are \$250,000. This includes the estimated costs associated with the Notice of Meeting, and implementing the Sale and Distribution Proposal.

The actual return received by shareholders will be dependent on the price at which the Company's investments are sold, the timing of the capital return(s) and the costs incurred in connection with operating and subsequently winding up the Company etc.

Implementation of the Sale and Distribution Process will be subject to usual market, trading and commercial risks.

Further information regarding the Sale and Distribution Proposal will be provided with the Notice of Meeting.

Comparison of Sale and Distribution Proposal with takeover bid by Aurora

The off-market all scrip takeover bid announced by Aurora on 5 April 2019 (**Aurora Bid**) offers Aurora Dividend Income Trust (**ADIT**) units at a proposed scrip offer value of \$0.75 per share of the Company. The Aurora Bid further proposes, if sufficient acceptances are received, that Aurora will

¹ Rounded up to the nearest decimal

² The NTA includes net deferred tax benefits equal to \$0.01 per share. Shareholders may not receive a benefit in respect of this if the Sale and Distribution Proposal is implemented

carry its investment in the Company across its various funds at the Company's prevailing NTA.

The Company has published its concerns with the Aurora Bid in an ASX announcement dated 15 April 2019 wherein it was noted that ADIT is a significantly smaller entity than the Company, with total net assets of only \$4.6m³ including cash and accruals of only \$68,000⁴. Furthermore 88% of its investment portfolio⁵ is represented by ADIT's shareholding in the Company.

The 15 April 2019 ASX announcement also noted the Company's concerns surrounding how the Company's shareholders will be able to exit ADIT as in December 2018 Aurora had its approval as an AQUA product issuer revoked by the ASX for failure to comply with various relevant ASX Rules.

Given the Aurora announcement left numerous questions unanswered and Aurora has not yet released its Bidder's Statement, the Company is unable to provide a detailed comparison at this stage.

Nevertheless, the Company believes that the Sale and Distribution Proposal will provide shareholders certainty surrounding the realisation of their investments in cash and is likely to achieve a superior result to the \$0.75 per share offered under the Aurora Bid. A more detailed comparison of the Sale and Distribution Proposal and Aurora Bid will be provided in the Notice of Meeting.

The Company notes that the Sale and Distribution Proposal may trigger a condition enabling Aurora to no longer proceed with its bid. The Company invites Aurora to make a statement to the market in relation to this to ensure an informed market.

The Company believes providing shareholders with the opportunity to vote on the Sale and Distribution Proposal is in shareholders' best interests.

Should it be approved, the Sale and Distribution Proposal will provide certainty of exit and will result in shareholders receiving cash in an amount which will be determined by reference to the sale price (after costs and expenses) of the Company's investments. While there will be costs associated with the Sale and Distribution proposal shareholders can rely on receiving a majority of their investment return within a definite timeframe (see below).

Timetable

Should the resolutions to proceed with the Sale and Distribution Proposal be adopted:

1. The Company will undertake an initial distribution (by a return of capital) to its shareholders out of surplus cash as soon as practicable following the meeting.

³ As per ADIT's most recent published financial statements (for the half year ended 31 December 2018)

⁴ As per ADIT's most recent published financial statements (for the half year ended 31 December 2018)

⁵ As per ADIT's most recent published Portfolio Update (28 February 2019)

2. The Company will proceed with the orderly sale of a majority of the assets which it expects to complete by no later than 30 September 2019.
3. The Company will undertake further reductions of capital and pro-rata distributions of any cash received upon the sale of assets which is in excess of the Company's needs.
4. The Company will retain the necessary cash required to effect the winding up.
5. Subject to not receiving a superior offer, once the Sale and Distribution Proposal is substantially implemented, the Company will hold a shareholder meeting to approve the winding up and appointment of a liquidator, currently expected to occur by 31 December 2019.

Jonathan Sweeney
Chairman

General inquiries

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