THORNEY OPPORTUNITIES LTD

ACN 080 167 264

27 March 2018

Dear fellow shareholder

Welcome to another Thorney Opportunities Ltd (TOP) update.

It has been another busy and successful six months for TOP, one which produced a net profit after tax (net of fees) of approximately $8.4 million for the period to 31 December 2017.

Continued strong performances from many of our core portfolio holdings as well as a number of opportunistic trading activities saw TOP's net tangible asset (NTA) backing reported at 75.1 cents per share as at 31 December 2017 and 77.0 cents at the end of February 2018.

These increases were achieved despite considerable share market volatility over recent months.

TOP's NTA has now increased 62.1% since January 2014, which was shortly after Thorney took over as investment manager of TOP.

This sustained level of out-performance continues to place TOP amongst the very best performing LIC's on the ASX in recent years. It is a track record of which I am very proud and it is a reflection of the disciplines and skills of the Thorney Investment Group team as well as the quality of our core portfolio.

I believe one of the key reasons for TOP’s consistent outperformance is that apart from identifying intrinsic and latent value, TOP is very willing to take a constructive approach and push for a change in leadership, a financial restructure or other measures if we conclude such steps will help improve a company’s fortunes to the benefit of all shareholders.

I am reminded of how Albert Einstein famously defined insanity as doing the same thing over and over again and expecting different results. Thus, we will always choose action over inaction, and will move to shake up the status quo if it is not delivering.

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MORE FIREPOWER

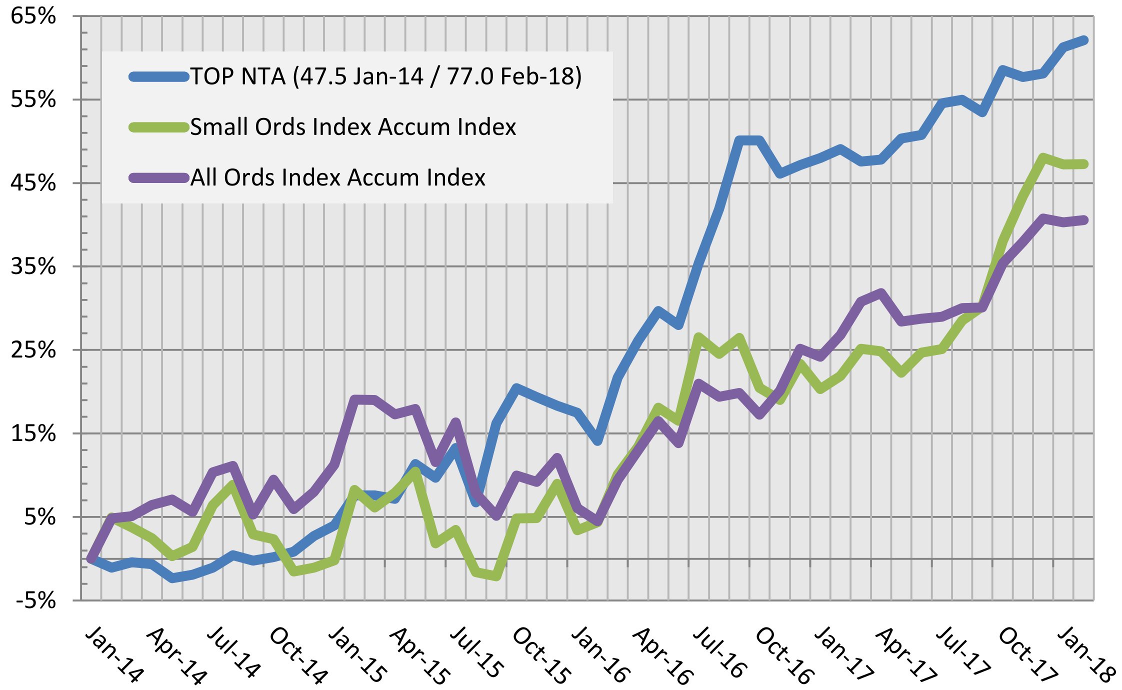
During the period to 31 December 2017, TOP successfully raised $18.3 million of new equity capital for investment. In addition, during February this year, I increased my personal interest in TOP by an additional $3 million to 27.9% and TOP completed the raising of approximately $2.7 million by way of a share purchase plan. I welcome all new shareholders to the TOP register and thank all those existing shareholders who participated for their continued support.

These capital raisings have given TOP additional firepower to take advantage of opportunities which have emerged due to recent share market volatility while still leaving sufficient investment capital for future investments.

COMPARATIVE PERFORMANCE

The graph below shows the growth in TOP's NTA after costs, and its share price since January 2014 compared to the performance of the ASX All Ordinaries Accumulation Index and the ASX Small Ordinaries Accumulation Index over the same period.

TOP NTA (after costs) vs All Ords and Small Ords Accumulation Indices: January 2014 to February 2018



PORTFOLIO HIGHLIGHTS

Service Stream Limited (SSM):

SSM remains TOP's largest portfolio holding by value and continues to go from strength to strength. Our average entry share price for SSM is $0.198, compared to the current share price of about $1.60 - a return of more than 700% even before substantial trading profits and dividends. Led by a disciplined, experienced and skilled board and management team, SSM delivered another strong half year earnings report with increases in all key metrics. For the six month period to 31 December 2017, net profit after tax was up 53% while the interim dividend was doubled to 3.0 cents per share.

With a clear strategic plan and a robust balance sheet, I anticipate that SSM will continue to deliver sustained earnings growth into future periods and I remain confident about retaining an interest as a long term shareholder.

At the core of SSM's continued strong performance is the constructive board and management changes which were effected in parallel with the 2014 recapitalisation. Later in this update I will be comparing SSM's exceptional performance with that of TOP's worst performing investment, TPI Enterprises Limited (TPE), and making some observations as to how TPE can improve.

Money3 Corporation Limited (MNY):

MNY is TOP's second largest holding though a combination of holdings in shares, options and bonds.

MNY was another TOP portfolio company which demonstrated strong operational performance following execution of its well–articulated business plan and certain strategic achievements, most notably, the securing of a long term debt funding facility. This facility, coupled with the anticipated exercise of an options tranche which expires in May 2018, will underpin MNY's growth ambitions in the secured automotive lending sector which now accounts for the vast majority of its lending book.

Net profit after tax for the half year was up over 12% versus the prior corresponding period and MNY increased its interim dividend by 80% to 4.5 cents per share.

In the second half, MNY is expected to redeem the existing bond instrument at maturity, an event which will return $10.0 million of capital to TOP.

I continue to be optimistic about the growth ambitions and opportunities for MNY.

AMA Group Limited (AMA):

AMA delivered a strong earnings result for the six months ended 31 December 2017 reflecting AMA's ability to execute its strategy of both driving and taking advantage of consolidation in the automotive panel industry.

I continue to be impressed by AMA's growth trajectory.

During the reporting period AMA substantially completed a major takeover transaction (subsequently completed in January 2018), acquired 10 new panel shop businesses and commenced four new greenfield panel shops.

Of even greater interest to the market was AMA's confirmation on 29 January 2018 that it had received a confidential, non-binding, conditional, indicative proposal from Blackstone Private Equity in relation to AMA's panel business, a proposal which valued that business at $530 million on a cash free, debt free basis.

As at the date of this letter, AMA has not provided any additional information to shareholders in regards to the status of these discussions however we are continuing to follow this situation closely and look forward to further updates from the company.

Irrespective of the outcome of discussions with Blackstone, or any other interested party, I believe that under its high quality management AMA remains well-placed to continue its pursuit of consolidation opportunities in the Australian smash repair business sector.

Austin Engineering Limited (ANG):

ANG is another successful example of TOP's long term and constructive investment philosophy, the results of which have begun to manifest for all shareholders.

ANG delivered a six month financial report which saw an increase in revenue of almost 70%, an EBITDA result which was above market guidance, completed a comprehensive refinancing of its debt facilities and disclosed an order book and pipeline of opportunities which should give shareholders significant comfort about future earnings growth prospects.

While there remains some way to go for the market to fully re-rate ANG's earnings, I have reason to be optimistic that this will occur in time, and I remain a very satisfied shareholder.

In my opinion, ANG is a company to keep on your watch list.

OneVue Holdings Limited (OVH):

OVH's emergence as a relevant and investable 'fintech' appears to be well on track after it reported improved financial metrics in its recent half year results. This company is another good example of TOP's ability to "sniff out" value at an early stage and then work with the company to release that value and so move onto the market's radar. A 27% increase in total revenue, coupled with improved operating margins delivered an interim result which I am confident the market will increasingly recognise.

I continue to be impressed by how well OVH's fund services, platform services and trustee services are regarded by its customers, a principal reason why growth in each business segment was witnessed during the period.

We continue to hold a significant shareholding in OVH and believe our confidence in further earnings growth and market recognition will prove to be justified.

Fairfax Media Limited (FXJ)/ Domain Holdings Australia Limited (DHG):

Since I last communicated with you the journey of FXJ and DHG has been a fascinating one.

Having long been an advocate for FXJ to realise more value from DHG, I was pleased to see the spin-off transaction completed in November 2017. After a strong ASX debut, DHG appeared to be well-placed to pursue its strategic ambitions with FXJ retaining a 60% shareholding in the company.

However, the surprise resignation of DHG's chief executive officer, Antony Catalano, in January appears to have disrupted some shareholders' belief in further value accretion emerging in the short term. This event has also thrust the role of the Board of DHG, led by Chairman, Nick Falloon, firmly into the spotlight and only time will tell whether the DHG growth ambitions can now be met.

However, the fundamentals remain strong for both companies. FXJ is ideally placed to lead or participate in corporate activity arising from the government's changes to cross-media ownership laws, while DHG has the building blocks in place for the right new CEO to capitalise on once they are appointed. I will be keenly watching both companies' performance and continuing my dialogue with boards and management.

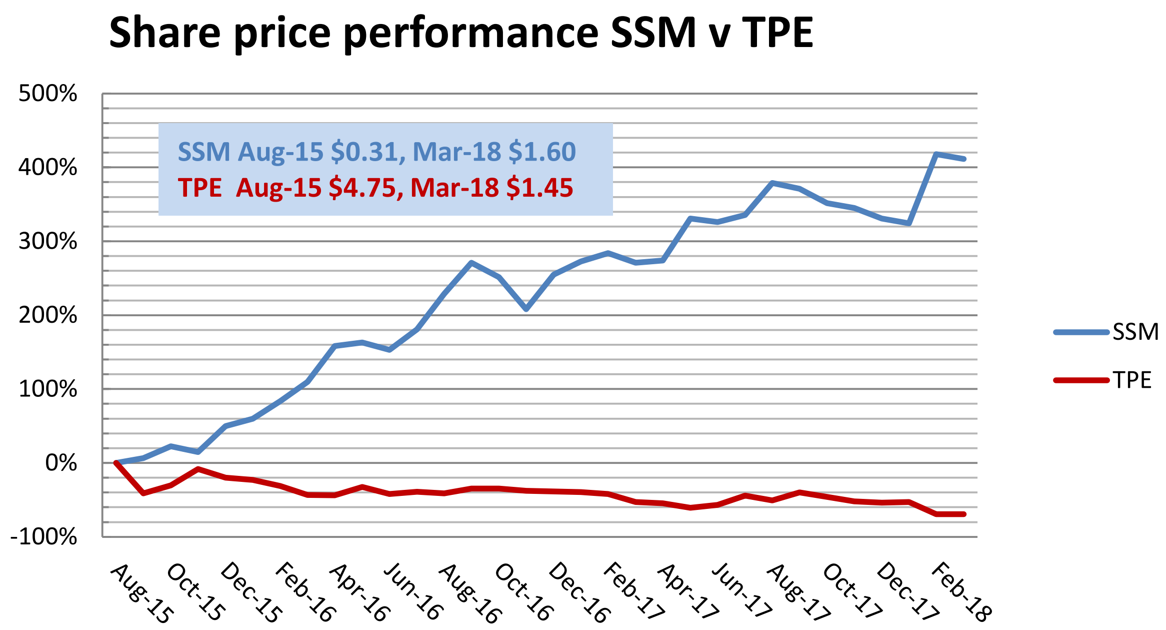
TPI Enterprises Limited (TPE):

As I mentioned in my earlier remarks, TPE remains by far the single biggest disappointment in the TOP portfolio and a drag on what would have been an even stronger portfolio performance.

TPE is one of four fully integrated pain relief suppliers globally, from the manufacture of licit narcotic raw material through to final tablet dosage. I have said previously that this company came to market too early and has poorly managed its transition to being a public company. Despite delivering on some key milestones, TPE has consistently over-promised and under-delivered since listing in August 2015.

TPI Enterprises Limited (TPE) continued***:***

I believe there is a compelling case for change at TPE and it can be made by comparing its share price performance since listing with that of our best performing portfolio company, SSM.



Since making key board and management changes and recapitalising several years ago, SSM has gone from strength to strength whereas for TPE, the share price has floundered. Indeed, the positive impact that the right board and management changes can have on previously under-performing companies is compelling and a key theme of many of TOP's now best performing companies including SSM, MNY, AMA and ANG.

By contrast, under largely the same board and management since listing, TPE has continued to disappoint the share market, despite the existing team's effort to establish some of the requisite strategic building blocks.

However, I and some other shareholders I have spoken to, believe only changes at board and management level can provide the insight, expertise, independence and impetus required for TPE to really deliver on its promise. I have been calling for action over the past 18 months and lately have intensified my efforts.

I respect TPE's largest shareholder Washington H. Soul Pattinson and will look to work with them and other like-minded shareholders to help identify the best value accretive solution for TPE.

Murray River Organics Ltd (MRG):

Another company which TOP and the wider private Thorney Group believe should benefit from board and management changes is Murray River Organics (MRG).

TOP has a small shareholding in this organic vine fruit and citrus producer, while the private Thorney Group has a substantial holding.

Following a recent company shake up which included new board and management appointments, a process which the Thorney Group did not support, we have called on MRG's new Chairman, Andrew Monk, to confirm George Haggar in the position as Chief Executive Officer (whom was appointed prior to the Board spill and we do support) and for the new team to work collaboratively and proactively on taking the business forward.

We will be watching with interest.

OUTLOOK

It is no coincidence that TOP's core three positions remain the same as they have been for the past two years or more. We are value investors who seek to identify value and then work with management to unlock that value over the medium to long term. And when we are on a good thing we stick to it. The value of this strategy has been borne out many times including during the recent period of volatility referred to above.

While we continue to see even more upside potential in the core portfolio we are continually examining new opportunities and trading within our core holdings when we see profit potential in doing so.

We have a number of new opportunities under examination right now. Some we may scale up and others we may trade out.

At all times we will remain true to TOP's core values of delivering superior value creation and growth for our shareholders over the medium to long term.

Thank you for your continuing support and I look forward to communicating with you again soon.

Best regards

Alex Waislitz
Chairman