THORNEY OPPORTUNITIES LTD

ACN 080 167 264

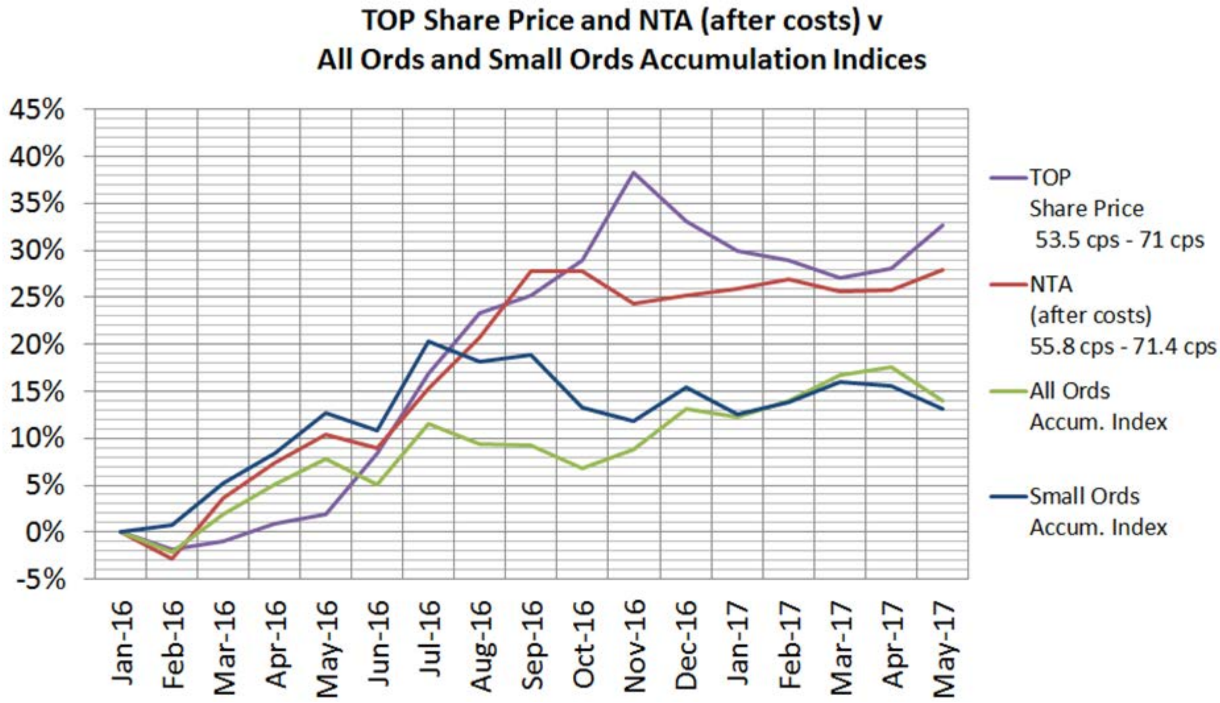
22 June 2017

Dear fellow shareholder

Welcome to another Thorney Opportunities Ltd update.

I'm delighted to inform you that due to the continued strong performance of a number of key holdings in the TOP portfolio, your company's Net Tangible Asset (NTA) backing as at 31 May 2017 stood at a record 71.4 cents. In the 11 months to 31 May 2017, TOP's NTA after fees rose by 17.4%.

The graph below shows the growth in TOP's NTA after costs and its share price since January 2016 compared to the performance of the ASX All Ordinaries Accumulation Index and the ASX Small Ordinaries Accumulation Index over the same period.



This achievement is further confirmation of the TOP management team's ability to identify companies which have the potential to deliver superior returns for shareholders and then work with them to unlock that value over the medium to long term.

Level 39, 55 Collins Street, Melbourne Vic 3000
Telephone + 61 3 9921 7116 Facsimile + 61 3 9921 7100

Perhaps the best example of this in recent months has been Fairfax Media (FXJ).

Fairfax Media Limited: as you will be aware from my previous updates, TOP has long regarded FXJ as being undervalued. For several years we have been calling on FXJ to take steps to help unlock the value within the company, especially within the fast-growing Domain group. Some other key FXJ shareholders and analysts have shared our view.

We were pleased to see FXJ respond in part to these calls with the announcement earlier this year of their proposal to spin off Domain into a separately listed vehicle. Since that time two private equity firms have announced takeover proposals for the entire Fairfax group. It is still early days in the due diligence process but FXJ is now "in play" and will be forever changed. The FXJ share price has shown very significant gains (38%) since the beginning of 2017. These gains could have been even higher if FXJ had embarked on a share buy back as we encouraged them to do when the share price was substantially lower. Nevertheless, the FXJ share price is now at levels not seen since 2011 and this is to the benefit of all shareholders.

While we at TOP are watching developments in the bidding process very closely, we strongly encourage FXJ not to give up on its own announced plans to spin off Domain. After all, private equity never seeks to take control of a company unless it can see a potential exit upside of at least 20% within a few years. If Fairfax can demonstrate that it is the best candidate to realise that additional upside then all existing FXJ shareholders would get the benefit of any future value uplift rather than just the successful private equity bidder.

Of course, FXJ will need to communicate a much more detailed strategic vision for the company if shareholders are to be convinced to support them over the private equity bidders. But the prize is the potential of the Domain group to be generating an EBITDA of $200 million or higher over time (from the current levels of around $115 million). This would value FXJ at around $4 billion compared to the indicative $3 billion or so currently being offered by the private equity bidders. FXJ's shareholders must decide if that potential value uplift can be achieved by the existing team over time or whether it is better to exit now and leave private equity to pursue the upside.

OTHER PORTFOLIO HIGHLIGHTS

Two other TOP portfolio companies which have seen takeover activity since I last wrote to you are AMA Group (AMA) and Service Stream (SSM). Of course in both cases the companies were the acquirer rather than the target.

AMA Group Limited: on May 23, AMA launched a takeover bid for the Automotive Solutions Ltd (4WD) after having built a substantial stake in the company. While the target company initially rejected AMA's offer we believe AMA's bid still has a good chance of being successful. The move demonstrates our view that further consolidation in both the automotive panel repair and auto aftercare accessory markets exists and that AMA is extremely well positioned to take advantage of those opportunities and continue its strong growth path.

AMA's half year profit results were solid, and it has reconfirmed its full year profit guidance of at least $40m EBITDA. With its consistent cash flows and existing debt facilities, we believe it will be able to complete this latest acquisition without raising any further equity. The move will be value accretive for shareholders with some analysts estimating it will add at least 7% to AMA's profits.

Service Stream Limited: in late April, Service Stream shareholders approved the takeover by SSM of the TechSafe group. The SSM share price showed some weakness around the time of the acquisition. At TOP, we always held the view that the acquisition was a positive move and would add value for shareholders, hence we took advantage of the price weakness to add to our holding. Now that the share price has more than recovered we have taken some profits. SSM remains by far our largest holding and we believe the company still has considerable growth ahead.

This was underscored in mid-May when SSM announced another profit guidance upgrade which saw analysts raising their valuations for the company. The share price has run strongly since and at the time of writing SSM was trading at around $1.34, having traded as high as $1.43. This compares to TOP's average entry price of approximately 20 cents and we remain very happy to hold SSM for the long term.

Money3 Corporation Limited (MNY): having again delivered another strong half year profit result as well as upgrading its full year guidance, the share price of this company has experienced some weakness in recent months.

We retain the view that this company has excellent long term growth potential despite the apparent funding challenges of both pursuing its ambitious growth aspirations and refinancing bond maturities, the first of which falls due in May 2018. We remain supportive of MNY and will continue to work with the Board and management to find the best solutions for the company.

iSelect Limited (ISU): this online price comparison and product selling group produced an excellent half yearly result earlier this year and continues to expand having recently moved into pet insurance. The market likes the iSelect growth story and the company's share price recently broke through the $2.00 level, although it has since fallen back slightly. iSelect's platform remains very robust and it continues to add to its partner brands with more than 150 of Australia's leading providers in the health, energy, insurance, lending and telco sectors now linked. The company has a strong balance sheet and management team and it undertook a successful share buyback scheme at lower price levels creating additional value for shareholders.

Austin Engineering Limited (ANG): after a period of radical change in the leadership of this mining and earthmoving equipment manufacturer, we are pleased to see the re-emergence of stability and a positive company culture.

Like all mining services providers, ANG was hit hard by the mining downturn, however, in recent times, the company has announced that its order outlook is much more robust giving cause for considerable optimism about its future prospects. We believe the final steps to restoring its balance sheet will see the return of commercial lenders to the group. This will enable the company to cost effectively fund the increased work flows and revenue that we anticipate going forward.

OneVue Holdings Limited (OVH): this superannuation administration and trustee services company has recently announced that it has achieved all the cost synergies it was targeting from the successful merger with Diversa Limited and it expects even further efficiencies to be available in the future. OVH's funds under advice on platform are now approximately $4 billion. Its platform and Fund Services businesses continue to perform strongly and grow strongly. We think this will help ensure that the company will come onto the radar of larger sophisticated investors in the near future producing a likely re-rating by the market.

TPI Enterprises Limited (TPE): TPE remains the most disappointing company in the TOP portfolio. It has been clear for some time that this opium poppy growing and processing company came to market too early and has not effectively managed the transition from private company to publicly listed. Notwithstanding this, TPE has achieved many major milestones even if some came later than expected and were poorly communicated to the market.

Everything should now be in place for the company to deliver on its promise to be one of the world's leading suppliers of legal narcotic materials to major pharmaceutical companies. In a very heavily regulated market, TPE retains its position amongst an exclusive number of licensed providers globally. We are continuing to monitor TPE closely as we believe it still has great potential.

However, it is possible the company may require changes at board and or management levels in order to make this next transition. We voted against the company's remuneration report at the most recent AGM on the grounds that it was not justified given the company's performance.

Ardent Leisure Group (AAD): is another company where management remuneration seems excessive in light of its long term poor performance and the well reported failures surrounding the fatal tragedy last year at its Dreamworld theme park. Both TOP and the private Thorney group have small holdings in AAD which has recently been subject to activist interest from Dr Gary Weiss's Ariadne Australia (ARA). Dr Weiss is also a director of TOP and the private Thorney group has a substantial shareholding in ARA.

ARA has a stake of almost 10% in AAD and is seeking to appoint two directors to the AAD board. We strongly support the move and share Dr Weiss's outrage about Ardent Leisure's management remuneration practices and poor financial and governance performance.

MARKET OUTLOOK

Having recently returned from the United States where I attended both the Milken Institute Global Conference and Warren Buffett's Berkshire Hathaway annual meeting, I remain cautious about the financial markets outlook. Despite the constant reporting of mostly negative issues surrounding the Trump administration, business confidence in the USA is still quite high and this is being reflected in the overall market.

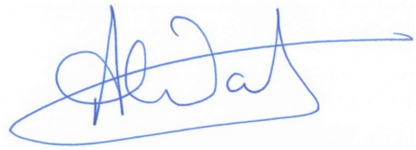
There can and will always be shocks to the system but the team at Thorney remains ever vigilant in making prudent adjustments to the portfolio and ensuring we always have funds available to take advantage of selected attractive opportunities as they arise.

Our engagement with Fairfax Media's management in recent years and subsequent recent events at the company have demonstrated that TOP has the skill base to look at larger companies than just our traditional small and mid cap arena and that we are prepared to call for change when we think it is necessary and will benefit shareholders.

We remain committed to being opportunistic, multidimensional and creative in identifying and extracting value for our shareholders and we will make our views known even if they are not popular.

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

Best regards



Alex Waislitz
Chairman