

**MANAGING DIRECTOR'S ADDRESS TO THE ANNUAL GENERAL MEETING
OF TIDEWATER INVESTMENTS LIMITED**

MONDAY 16 NOVEMBER 2009

The annual report for the year to 30 June 2009 seems a little more like ancient history than usual. The report chronicles a period where for the first eight months, Tidewater suffered, like many others, from the deflation of share prices, irrespective of the quality of the underlying investment. Allied to a level of gearing, the impact on your company was significant. Net asset backing per share including the value of management contracts fell from approximately 42.5cents at end June 2008, to an unaudited low of 16.8cents by end February 2009, finishing at 21.2cents at the end of the 2009 financial year.

As we noted in the 2009 Annual Report, the final quarter of the year was not only a significant one in turning around the asset value of the Company but also in cementing the belief of the directors that the company is likely to be better as a private entity into the future.

In keeping with our belief that Tidewater is a partnership with the shareholders, we wished to ensure that this process was conducted in a manner which produced the best outcome for all participants. We had three options:

- Insiders to make a bid for the Company to take it private;
- Liquidation of the portfolio followed by capital returns and/or dividends; or
- Orderly and gradual realisation of the Company's assets over the following 12-18 months into an improving stockmarket.

The first two options amounted to an effective liquidation for outside shareholders of their shareholding at close to a low point in asset values; whilst we have some investments with difficulties, the vast bulk of the portfolio was perceived by the board to be in good shape and very undervalued at the February/March lows.

Our portfolio effectively comprises nine "projects" divided up into three groups of holdings, aside from some smaller peripheral investments:

- We have three passive holdings where we know the companies well but are not influential in terms of setting strategy or potential outcomes, and have an insufficient level of shareholding to achieve either;
- We have three holdings where we may not be the prime mover on strategy but have a significant influence over the eventual strategic outcomes for each company by virtue of our shareholding and/or board membership;
- We have three other holdings where we are board members and as a result of this **and** a significant shareholding, we will have a major influence on all outcomes. These shareholdings are likely to involve Tidewater performing a quasi-corporate finance role.

Since 30 June 2009, we have achieved a reasonable amount of progress towards the ultimate goal, in five different areas – each of the three investment categories, financial and operational aspects.

Firstly, within the passive holding group, we have seen a takeover offer announced for Dark Blue Sea by Photon Group at over twice the level at which the shares concluded the 2009 financial year; we think that the end-game for DBS is now approaching since the second largest shareholder in that company has committed to accepting the Photon offer in the absence of a higher bid – this would give Photon effective control of DBS. There is a possibility of another party emerging so it's likely that we'll hang around and see.

Secondly, in companies where we have a significant influence, we have assisted Adelaide Resources in raising over \$5.2million to bring its cash levels to over \$10million - the highest in that company's history. Thanks to some excellent drilling results in the Northern Territory, the company's shares are currently nearly three times the level they were trading at the end of June 2009.

With Adelaide Resources and Westgold Resources drilling literally within metres of each other near Tennant Creek, any mine development by either party will require a co-operative approach, which should yield medium term dividends to both.

Thirdly, we have been putting our drafting skills to work through the expansion of capital within Equities and Freeholds, our 86.5% owned subsidiary. EQF has recently seen three new appointees to the board and earlier today held its AGM to ratify various resolutions designed to achieve this capital expansion. If approved and executed, our shareholding will fall to 9.6%. EQF has already distributed a first tranche of its shareholding in Adelaide Resources and today received approval to distribute most its remaining shares in Adelaide Resources via a capital return. This gives EQF shareholders full direct access to their company's largest investment as well as enabling fair and equitable participation in a rights issue.

On the financing front, in late September, we announced a placement which raised \$825,000 and provided significant financial flexibility to Tidewater.

Finally, from an operational standpoint, we have given up the rights to manage the Fat Prophets Australia Fund under the prevailing sub-contract arrangements which would have concluded in any event in April 2010. We are well pleased with the job we did for Fat Prophets shareholders – of which we are the second largest – with the portfolio outstripping the benchmark return by over 11% gross of fees and expenses over the twelve months to 30 September 2009, and its pre tax return significantly beating many of the LIC peer group over the same period. We have handed back the fund to Fat Prophets Funds Management Australia in excellent shape, and I look forward to Chairing the Fat Fund in the future. We do have the issue of closing down the share price discount to NTA/share which is one of the highest in the LIC space.

Furthermore, we are reducing the size of our office as a result of outsourcing several of the functions relating to Cheviot Kirribilly Vineyard Property Group; consequently, Tidewater will shortly be moving office to a smaller facility. As will be discussed in Adelaide later this week, there is significant work to be done to revitalise this stapled entity, in the wake of the ongoing pressures on grape growers.

From a shareholder perspective, providing equity markets don't fall apart before March next year, we should have the capacity to pay a fully franked interim dividend; as we did in Equities and Freeholds, there is the possibility the dividend may be in securities of another listed company rather than cash. The Directors will give appropriate thought to this over the next three months.

I would like to thank all of you for your support. We acknowledge that being a shareholder in Tidewater has been a hard road to hoe but are happy with the progress of the past six months or so, aided of course, by much improved equity prices. We are well aware that for many of you, your average entry price in Tidewater shares is twice the current share price. We will do our very best to attempt to repair as much of this damage over the next year as we can.