

Thursday, 14 June 2018

ASX Code: OEQ

MARKET ANNOUNCEMENT

Net Tangible Asset Backing – 31 May 2018

Month Ending:	% Change	31 May 2018 Consolidated	30 April 2018 Consolidated
Net tangible assets (NTA) (before tax)		\$4.359m	\$4.702m
Pre-Tax NTA Backing per share	-7.29%	\$0.2785	\$0.3004
Net tangible assets (after tax)		\$4.359m	\$4.702m
Post-Tax NTA Backing per share	-7.29%	\$0.2785	\$0.3004
Based on total issued share capital		15,649,228	15,649,228

Orion notes that the decline in NTA backing was principally caused by a \$0.326 million reduction (equivalent to ~2.1 cent per Orion share) in the carrying value of the Company's investment in Bentley Capital Limited (BEL). BEL's decline was principally caused by a \$1.1 million reduction (equivalent to 1.44 cent per BEL share) in the carrying value of BEL's investment in Keybridge Capital Limited (ASX:KBC) (KBC). This, in turn, resulted from KBC re-valuing its investment in Molopo Energy Limited (ASX:MPO) (MPO) from 14 to 4.5 cents per share during the month, leading to a provision for impairment expense being recognised of ~\$4.72 million.

KBC has advised that this revaluation has occurred as a consequence of the conduct of the previous MPO Board¹ having entered into a series of transactions which have caused a reduction of US\$35 million (or nearly A\$50 million) in MPO's cash reserves in circumstances where such conduct have been the subject of:

- A declaration of 'unacceptable circumstances' by the Takeovers Panel²; and
- The ASX issuing a 'Breaches Letter' where ASX advised that it considers that MPO has committed serious breaches of the ASX Listing Rules and may also have breached the Corporations Act for making misleading disclosures to ASX and as such, ASX has referred their findings to ASIC for further investigation³.

KBC has advised that it will re-assess the carrying value of the company's investment in MPO based on further information about MPO's financial position, as released on ASX by MPO.

Further information is outlined in BEL's ASX Announcement dated 14 June 2018: NTA Backing as at 31 May 2018 and KBC's ASX Announcement dated 14 June 2018: Net Asset Backing – May 2018.

1 Refer MPO ASX announcement dated 1 June 2018: Board Changes

2 Refer Takeovers Panel Media Release No. TP18/042 dated [8 June 2018: Molopo Energy Limited 10 & 11 – Declaration of Unacceptable Circumstances](#)

3 Refer ASX Letter to MPO dated and released on ASX on [11 May 2018: MPO Breaches of ASX Listing Rules](#)



www.orionequities.com.au

Orion Equities Limited

A.B.N. 77 000 742 843

Level 2, 23 Ventnor Avenue, West Perth, Western Australia 6005

The NTA position comprises the following items:

Net Tangible Assets	Current Month \$'millions	Previous Month \$'millions
Investment in listed Associated Entity:		
(a) Shares in Bentley Capital Limited (BEL)	1.415	1.741
Investments in other listed securities:		
(a) Shares in Strike Resources Limited (SRK)	0.570	0.550
(b) Other listed securities	0.019	-
Investment in units in managed fund	0.051	0.050
Investment in property (held for development/resale)	1.220	1.220
Agribusiness assets	1.549	1.551
Net cash/receivables/payables/other assets/provisions	(0.465)	(0.410)
Pre-Tax NTA	4.359	4.702
Tax Provisions:		
(a) Prior year tax	-	-
(b) Current year tax	-	-
(c) Net deferred tax asset / (liability)	-	-
Post-Tax NTA	4.359	4.702

Notes:

- (1) The Company's investment in BEL, an Associated Entity (i.e. in which the Company has a greater than 20% interest), is accounted for under the equity method in the consolidated financial statements. Under the equity method, the carrying amount of such investment is cost plus a share of the Associate Entity's net profit or loss (after tax) for the financial year to month end as provided to the Company by such Associated Entity. Refer also Note 22 (Investments in Associates) on pages 42 and 43 of the Company's [2017 Annual Report](#) for further details in this regard.

Accordingly, as at 30 April 2018, the Company's 20,513,783 shares (26.95% interest) (30 April 2018: 20,513,783 shares and 26.95%) in BEL have a carrying value of \$0.069 per share (\$1.415m); this compares with BEL's last bid price on ASX of \$0.11 per share (\$2.257m) and BEL's after-tax NTA backing of \$0.1291 per share (\$2.648m), as at month end.
- (2) The fair value of investments in ASX-listed Strike Resources Limited (SRK) comprise 10,000,000 shares (31 May 2018: 10,000,000 shares) with a value of \$0.57 per share (based on the closing bid price on 31 May 2018) (30 April 2018: \$0.55).
- (3) The fair value of investments in other listed securities is based on each security's last bid price on market at month end.
- (4) Units invested in the managed fund are valued at the audited unit price published by the investment manager, as at month end – the unit price reflects the net asset backing of the fund; there is no buy/sell spread price; there is no recognition of realisation costs as there are no exit fees charged on redemption of units.
- (5) Investment in property (held for resale) was valued by an independent qualified valuer (a Certified Valuer and Associate Member of the Australian Property Institute) as at 9 June 2017. Refer also Note 12 (Property held for Resale) on page 36 of the Company's [2017 Annual Report](#) for further details in this regard.
- (6) Agribusiness assets comprise a 143 hectare property comprising olive grove freehold land (with a water licence entitlement), olive trees (with approximately 64,500, 18 year old plantings) and depreciable plant and equipment. The land (with the water licence entitlement) was valued by an independent qualified valuer (a Certified Valuer and Associate Member of the Australian Property Institute) as at 15 June 2017. The olive trees and depreciable plant and equipment are carried at net realisable value. Refer also Note 13 (Property, Plant and Equipment) on pages 36 and 37 of the Company's [2017 Annual Report](#) for further details in this regard.
- (7) Tax Provision Item (c) includes where applicable, a provision for income tax on net unrealised gains on the Company's investments in securities and its share of Associated Entities' after-tax net profit for the month (deferred tax liability) and the recognition of future income tax benefits on net unrealised losses on the Company's investments in securities and its share of Associated Entities' after-tax net loss for the month (deferred tax asset). Refer also Note 5 (Tax) on pages 28 to 29 of the Company's [2017 Annual Report](#) for further details in this regard.