

Thorney Technologies Ltd

ABN 66 096 782 188

25 September 2019

Dear fellow TEK shareholder,

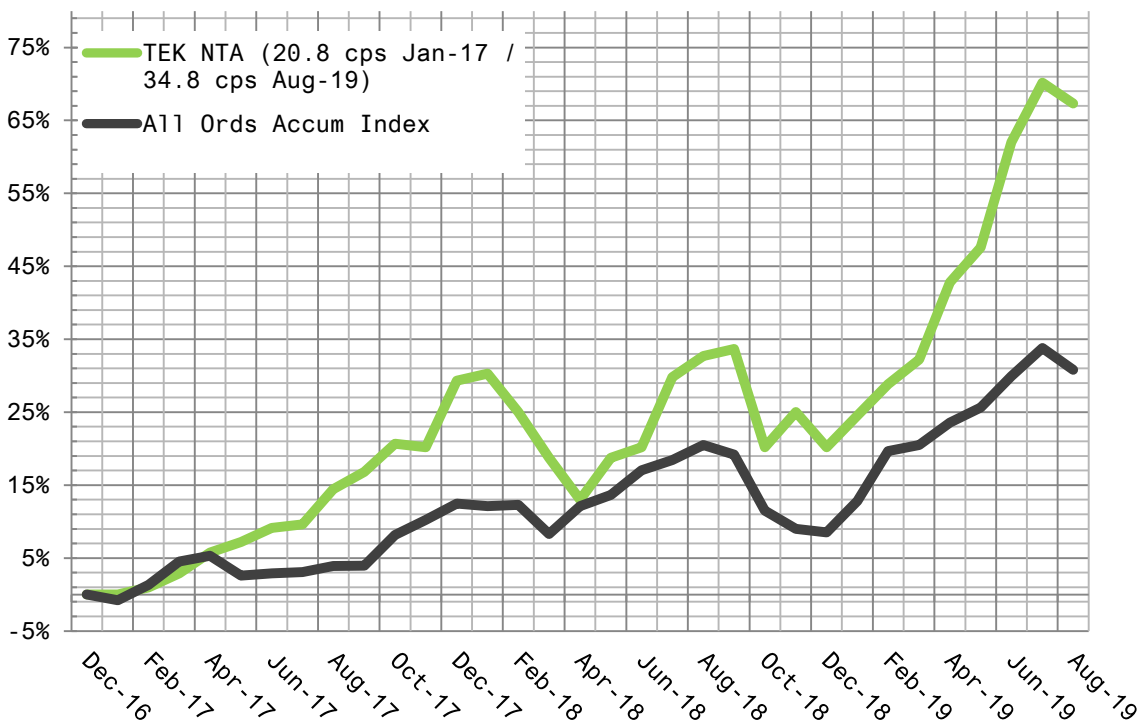
Chairman's Update

During the 2018-2019 financial year, TEK's Net Tangible Assets per share (NTA) before tax rose almost 23% to 30.7cents per share (cps). This result was among the best of any listed investment company and I congratulate the TEK management team on this achievement. Since June 30, TEK's NTA has continued to improve and at August 31, 2019, our before tax NTA stood at 31.7 cps. After tax NTA for August stood at 34.8 cps.

Further strong gains in some of TEK's key portfolio holdings since August 31 mean that – in the absence of any major negative event – we are currently on track to report a further improvement in NTA for September. In monetary terms, the current value of TEK's holdings is now in excess of \$90 million.

TEK's proven ability to show consistent strong NTA growth is evidenced by the graph below showing TEK's NTA after costs since inception compared to the All Ordinaries Accumulation Index over the same period.

**TEK NTA (after costs) vs All Ords Accum. Index
(January 2017 to August 2019)**



PORTFOLIO HIGHLIGHTS

Below are a few comments on some of the main contributors to this strong performance plus other holdings of interest.

**Afterpay Touch Group Limited (APT)
and ZIP Co Limited (Z1P)**

Fin-tech is one of the main sectors in which TEK invests and these two “buy now, pay later” companies continue to impress. They remain two of TEK's largest holdings. APT has now become a truly international company having recently expanded into the UK after a very impressive entry into the USA. Z1P has also been growing strongly, broadening its range of buy-now, pay-later offerings and also expanding internationally.

TEK's investment in both APT and Z1P underscores a key aspect of TEK's investment philosophy. If we like a particular thematic or sector, we do not have to “pick one”. We are happy to hold more than one company in a sector and we can have good relationships and dialogue with the management of multiple companies without compromising our relationship with any of them. In the fin-tech space this approach has produced outstanding results for TEK and whilst we have taken some profits off the table in order to recycle cash for other investments, we have not lost our belief in the management of APT and Z1P nor in the business models that they are implementing. We believe they both have got much further to go.

Credible Labs Inc (CRD)

A \$2.21 per share takeover agreement for CRD from Fox Corporation announced in early August has focused attention on this company which TEK has supported since its IPO in December 2017. CRD's move to expand from its original US student loan business into the massive US home mortgage market means that, provided it continues to execute well, CRD has a very big future in front of it. A tie up with Fox would enable much greater exposure for CRD through Fox television and other channels in much the same way as REA was promoted in Australia via News Corporation media.

While the price offered by Fox is \$1 per share higher than CRD's IPO listing price of \$1.20, I do not believe it represents a sufficient takeover premium given CRD's potential. I would rather see a significantly higher offer price for CRD or an issue of shares to Fox which would have enabled all CRD existing shareholders to participate in CRD's future growth upside rather than just the company's founder Stephen Dash and the Fox Corporation.

We have been contacted by a number of other significant CRD investors who feel the same way that we do and we are currently considering various options available to us.

Mesoblast Limited (ASX:MSB NASDAQ:MES0)

The Thorney Investment Group has a long history with this world leading Australian stem cell biotech which, after many years in research and development, is finally on the cusp of commercialising its products.

On September 10, 2019, MSB announced that it had entered a strategic partnership with one of Europe's leading pain management companies, Grünenthal, to develop and commercialise MSB's stem cell therapy for chronic low back pain.

Importantly, the deal covers only Europe and Latin America and not the USA. It involves \$US150 million in structured upfront payments and could see in excess of \$1 billion paid to MSB over time.

If MSB can secure a US partner for its chronic low back pain product, it would very likely be even more valuable and play a major role in reducing the US opioid crisis where around 50% of all opioid prescriptions are for back pain.

While fully commercialising MSB's low back pain product could still take several years, the Grünenthal deal provides major validation for MSB's technology and points to a very exciting future for the company.

MSB's first commercial stem cell product – a treatment for acute graft versus host disease – is already on sale and generating revenue in Japan and is currently before the US FDA for approval. MSB has numerous other late stage trial product candidates including those for chronic heart failure and for rheumatoid arthritis.

In my view 2020 and beyond should prove to be a major turning point for MSB and see much more focus on the potential of its patented stem cell therapies. I believe this potential is still nowhere near fully reflected in the MSB share price.

Oventus (OVN)

OVN is an Australian medical technology device company which, like MSB, highlights the fact that in med-tech, biotech and many other tech sectors, there is rarely such a thing as an overnight success. It often takes many years to develop the technology, to protect it via patents, and to educate the market about the technology, its applications and why it is a better alternative than the well protected incumbents. Often we are talking about a small company taking on large competitors, so it's a journey that requires capital, patient investors and very focused management.

OVN is a Brisbane based company that has a patented in-mouth device to reduce snoring, sleep apnea, and reliance on CPAP machines and masks, in many cases eliminating them completely. The company was established in 2012 and has been trying to break into the US market, educating dental and sleep practitioners and trying to establish distribution links.

OVN recently completed an oversubscribed capital raise in which TEK participated. It also announced some new US distribution deals which indicate it is finally making good progress. The OVN share price has responded accordingly. We are now looking forward to learning about product take up and further distribution deals expected to be announced over the next twelve months.

Dubber Corporation Limited (DUB)



Australian-based Dubber has a vision of becoming the world's leading cloud based call recording platform for telecommunications service providers. The company has already been chosen by many leading global telcos including AT&T, Cox Business and Optus and is now the core call recording service for Cisco BroadCloud, the world's leading cloud telephony platform.

In its early years we were critical of some of Dubber's board and management moves and its cost management but in 2019 the company has made excellent progress. Active users jumped by more than 220% to just under 95,000. Revenue was up almost 270% to \$5.54m with Q4 Revenue making up more than \$2m of that figure. This leads us to expect DUB to produce significant revenue gains on a quarterly basis from now on.

DUB has cash reserves of approximately \$20m and appears well placed to execute on its plan and become cash positive sometime in the next six months.

Updater Inc. (unlisted)



New York based UPD delisted from the ASX last year to focus on accessing US private capital markets and its plans to become a major player in the US relocation industry. Many millions of Americans relocate each year and UPD aims to make the process as easy as possible. People moving can use the Updater app to book and schedule moving companies, change addresses, connect utilities, buy insurance and connect to cable and internet services.

While some shareholders, including TEK, questioned the need for UPD to delist from the ASX, there has been little doubt about the company's overall business strategy. It has continued to gain market share to the point where its app is now used in 20% of all moves across the US. The company is targeting a 35% share.

UPD's delisting made it TEK's largest private company holding and we remain generally supportive of its founder and CEO David Greenberg.

Following calls from TEK and others for more communication and transparency since going private, David Greenberg travelled to Australia recently to brief shareholders on the company's progress, its fundraising, expansion plans and potential future opportunities.

The company continues to grow strongly. It is on track to achieve Total Transaction Volume (TTV) of \$US400 million for calendar 2019 – almost three times that of the previous year. It has its sights set on producing a very impressive \$US1 billion of TTV in 2020 and it has a number of potentially transformative opportunities in front of it. A fundraising and expansion opportunity which UPD is in the final stages of negotiating should help it accelerate its plans.

David Greenberg has also committed UPD to establishing a buy-back facility or secondary private market in its shares to give shareholders more liquidity options – a move which TEK called for and supports.

Notwithstanding its impressive growth, TEK and some other Updater shareholders we have spoken to would like to see the company make better use of its board and appoint an independent chairman. We will continue to discuss this with directors.

Pre-IP0 Pipeline

The Thorney Group's long-term involvement with UPD since before it listed on the ASX highlights another of TEK's attributes that sets us apart from most other listed investment companies.

From the time of its launch, TEK sought a mandate to invest across the entire life cycle of companies from early stage funding to pre-IP0 and IP0 stages and beyond.

We always envisaged TEK playing an active role in the pre-IP0 space and that has proved to be the case. Becoming involved at the pre-IP0 stage enables TEK to invest early with comparatively few others. We can actively bring our skills and knowledge to assist the company in how to position itself ultimately for an IP0. We can help introduce them to investment houses, potential directors, potential additional executive talent and further sources of capital, both domestically and internationally.

We can help them shape the commercial terms of not only the pre-IP0 raising, but ultimately the IP0 itself to give it the best chance for success.

In the next six months or so we believe a number of companies that we have been involved with at the pre-IP0 stage are expected to finalise their decisions on proceeding to an IP0 and subsequent ASX listing.

These companies include Carbon Revolution, an exciting high tech maker of lightweight carbon wheels for the automotive industry; Terragen, an agricultural biotech company that uses micro-organisms to improve soil and animal health; GLX, a global digital trading place for liquefied natural gas (LNG); Credit Clear, a fin-tech which helps facilitate easier payment of overdue accounts and Nitro, a document productivity company that enables secure e-Signatures.

If some or all of these companies proceed to listing it will be a good opportunity for us to assess not only our own performance as a pre-IP0 investor, but also to highlight to our own investors the unique exposure that they have to both public and private companies at every stage of the business life cycle when they invest in TEK.

Outlook

At TEK we remain absolutely committed to continuing to invest in the technology revolution that is going on in the world around us. It is only becoming stronger and building in depth and quality. Technical change is being embraced by every level of society in a way that cannot be avoided. I continue to believe that TEK is very well positioned to keep creating excellent value for our shareholders over the next few years. As the major shareholder in TEK I have been happy to add to my own personal holdings of TEK shares.

There has been a lot of discussion in recent times about the valuations of tech companies and these tend to heat up further when we see events like the recent delay of the WeWork IPO in the USA.

The old saying of "revenue is for vanity and profit is for sanity" is still something we at TEK remain cognisant of. The tech revolution has seen the world move away from traditional financial metrics when valuing tech companies.

At TEK we have adapted to this new world and proven our ability to be successful by investing in companies such as those we have mentioned above. We maintain a discipline where we take money off the table if we think a company's valuation has gotten ahead of itself. We will re-enter the same company if we believe that at lower values it makes sense to re-invest.

The constant challenge of investing in tech at an early stage is that often you are mainly assessing a company's potential and whether it has the business model and executive drive to ultimately be a success and translate its model into substantial revenues.

If you hold off investing until a company's potential is actually fully proven and it is generating substantial revenues, you may have lost the opportunity to make very significant investment returns.

At TEK we are constantly balancing these factors. We continue to look for tomorrow's success stories while remaining prudent, sensible and rational at all times on behalf of our shareholders.

Thanks for your support.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alex Waislitz', with a long horizontal stroke extending to the right.

Alex Waislitz
Chairman