



MANAGING DIRECTOR'S UPDATE

The Managing Director of Tidewater Investments Limited¹, Andrew Brown², wishes to update investors on behalf of the board of Directors, in lieu of the Company's fully audited 2010 annual results, which are due for release prior to the end of August 2010.

Financial Results

Based on unaudited management accounts, which could be subject to adjustment, we expect to report a pre tax profit between \$780,000 - \$800,000 for the year to 30 June 2010. This profit estimate includes various non-recurring items reported in the six month period to 31 December 2009, such as:

- the write-off of intangibles and other one-off costs relating to the prior carrying value of contracts to manage Cheviot Kirribilly Vineyard Property Group ("CKP") being some \$680,000;
- the profit on sale of Tidewater Asset Management Pty. Limited of \$10,000; and
- the profit on deconsolidation of Equities and Freeholds Limited ("EQF") of \$285,876.

Including these items, in overall terms, the pre tax result represents a return on opening equity for the year of approximately 16%.

Australian equity markets saw the 2010 fiscal year comprise two highly divergent six month periods; the S&P/ASX All Ordinaries Accumulation index returned 26.1% during the July – December 2009 semester, but gave back some 9.7% between January and June 2010, for an overall return of just under 14%. In Tidewater's case, such returns were dramatically magnified by the performance of our shareholding in Adelaide Resources Limited ("ADN"), which rose from 9.5cents to 26cents in the first half of the year, but fell back to 13.5 cents in the second six months. The fall in the share price of ADN accounted for virtually the entire profit decline in the second six months of the financial year.

Pro-forma financial position and debt repayments

Tidewater's net tangible asset backing after payment of the two fully franked dividends during March 2010 is approximately 20cents per share.

On 31 May 2010, Tidewater repaid a further \$812,000 of debt to its financier, reducing our gross debt to \$887,500. Since then, we have received a capital repayment from First Opportunity Fund Limited ("FOF" - now Vocus Communications Limited) of approximately \$291,000 and will utilise these funds, together with a hitherto escrowed bank deposit to further reduce the loan balance. We have repaid over \$4.2million of gross debt since June 2008.



Tidewater's gross debt should be considered in the context of an asset base of some \$6.3million; the asset base includes cash adjusted for the receipt of the capital return by FOF and inclusive of escrowed deposits of over \$625,000.

The Tidewater board – with me suitably excluded from the decision - has accepted an offer from my interests of an unsecured loan facility of up to \$500,000, at my discretion, to enable the Company to potentially further repay our bank debt and provide a small amount of working capital. The loan will attract interest at a fixed 9% per annum, calculated daily, which is below market rates for finance collateralised against listed securities.

Once we have fully repaid our bank financier, all registered fixed and floating charges against the Company and its subsidiaries will dissolve for the time being, and ensure that all of Tidewater's current investments are freely tradeable, unless constrained by corporate governance protocols.

Three securities being FOF, Fat Prophets Australia Fund ("FAT") and ADN have a combined carrying value of over \$4.4million, equivalent to around 86% of our equity base.

Adelaide Resources Limited ("ADN")

I have accepted an invitation by the board of ADN to become Chairman, replacing Paul Dowd who has stepped down due to an increase in his responsibilities elsewhere. Paul has done an excellent job in providing the foundations of a core decision making structure from which ADN can build.

With 10.4% of its capital being owned by Tidewater, ADN is a significant investment for us, and it is important that it is placed on a sustainable footing for the future, to enable the value inherent in ADN's asset base to be fully exploited. I will be spending significant time with ADN's executives to do our collective best to ensure this happens, and have already contributed a significant strategic assessment to assist in providing a pathway towards this end.

Fat Prophets Australia Fund ("FAT")

Despite a well thought out portfolio strategy, the past year has seen FAT shares generally trade at an even greater discount to net asset backing; this situation is not uncommon in the listed investment company sector where discounts for the externally managed vehicles have widened sharply, virtually irrespective of the merits of the specific company or the execution of its investment strategy. This situation was partially reversed on 30 June 2010, when the hitherto largest shareholder of FAT sold their holding to Merricks Capital, a Melbourne based manager of various hedge-fund type strategies, at a premium to the previously prevailing market price.

As the Chairman of FAT, I will be discussing the future situation with the new largest shareholder, and am confident that we can find common ground in ensuring the inherent value within FAT – including its significant franking credit pool – can be translated into greater value in the hands of shareholders. We remain the second largest shareholder with 6.4% of FAT's capital.



Vocus Communications (“Vocus”)

Tidewater is the largest non-board represented shareholder in Vocus with 2,356,963 shares or 4.6% of Vocus capital base. Recent decisions by the executives of Vocus predecessor company, First Opportunity Fund, to exercise their stock options, allied to the implications of the tentative agreements between Telstra and NBN Company provide an increased level of confidence that Vocus can build on the success of the past two years when it has grown revenue from a standing start to over \$16million, and EBITDA to over \$6.6million in the year to 30 June 2010.

Once investor familiarity with Vocus grows, which may take some time due to the relatively small float of freely tradeable securities, we hope to see the apparent value of Vocus equity reflected in the price of its listed stock.

Other Investments

We continue to hold other investments in EQF, Cheviot Bridge Limited and some minor remnants with a carrying value of just over \$1million, or less than 20% of our invested portfolio.

Reduction in Executive Remuneration

At present, the administration of Tidewater’s investments is a modest undertaking, which we hope to make even smaller by the liquidation of certain subsidiaries which are no longer required. My major efforts in the near term will be focused on ensuring that the gap between our estimated value per share and the publicly traded price of our investee companies is reduced. This means I will be spending more time – which is now available - on my duties with these companies. It is therefore more logical that I should be remunerated by the investee companies themselves as a Director, rather than by Tidewater.

As a consequence, from 1 July 2010, my remuneration from Tidewater will reduce from \$200,000 (plus superannuation) per annum, to \$50,000 (plus superannuation), reflecting my administration and Directorship duties for Tidewater. However, rather than Tidewater, I will be the direct recipient of the Directors’ fees paid by the investee companies. In total, Tidewater will benefit to the tune of around \$65,000 per annum relative to 2010 by this arrangement. Since it is not our intention at the present time to make any further “strategic” investments, this is now a more justifiable arrangement than would have previously been the case.

For further information:

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- 1: Tidewater Investments Limited and its controlled entities is also referred to as **“Tidewater”**, **“we”**, **“our”** or **“the Company”** throughout this release.
 - 2: Andrew Brown is also referred to as **“I”** or **“my interests”** throughout this release
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Forward looking statement disclaimer

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