Wednesday, 25 September 2013

MARKET ANNOUNCEMENT

Corporate Update

Further to the Corporate Update market announcement on 3 April 2013 in relation to a review of Queste's capital management initiatives and corporate and Board overheads, the Company is pleased to provide the following update.

Capital Management – Equal Access Scheme Off-Market Share Buy-Back

As previously noted, Queste had, as part of a capital management programme for the benefit of shareholders, initiated an on-market share buy-back in 2012/2013. This initiative met with little success and no shares were bought back, primarily due to the lack of liquidity in trading of Queste shares, based upon the application of ASX Listing Rule 7.29 (which prescribes that an on-market buy-back may occur only if transactions in the company's shares were recorded on ASX on at least 5 days in the previous 3 months).

Queste has reviewed the on-market share buy-back initiative and the liquidity issue and has identified an Equal Access Buy-Back Scheme as an alternative to the same, allowing shareholders an opportunity to realise their investment in the Company in an otherwise relatively illiquid market for Queste shares.

The Company accordingly proposes to conduct an Equal Access Buy-Back Scheme and anticipates the proposed scheme will operate in the following manner:

(a) Subject to a fixed maximum buy-back consideration, Queste will offer to buy-back 100% of its ordinary shares in the company at a fixed price per fully paid and partly paid share; and

(b) If the number of acceptances were to exceed the maximum buy-back consideration, Queste will scale back the number of shares to be bought back on a pro-rata basis.

An Equal Access Buy-Back Scheme is open to all shareholders on an equal basis and participation by shareholders is entirely voluntary. It is also a cost effective way for shareholders to dispose of their interests as there are no brokerage costs associated with an off-market Equal Access Buy-Back.

If the buy-back price is set below the net tangible asset (NTA) backing of the Company (which is anticipated to be the case), the NTA backing will increase post buy-back, which will benefit remaining shareholders.

Section 257C(1) of the Corporations Act provides that an equal access share buy-back which will result in more than 10% of a company's shares being bought back in a 12 month period (which will occur under the proposed Equal Access Buy-Back Scheme) must be approved by a (ordinary) resolution passed at a general meeting of the company.

The Company is currently seeking clarification from ASX on the application of the Listing Rules in relation to the proposed Equal Access Buy-Back. The Company has also engaged an Independent Expert to prepare an independent expert report (IER) with respect to the proposed Equal Access Buy-Back including (inter alia) to opine on whether it is fair and reasonable to shareholders.

Queste proposes to seek shareholder approval to undertake the Equal Access Buy-Back at the upcoming 2013 annual general meeting (subject to ASX's clarification and completion of the IER referred to above). Further details of the terms of the proposed Equal Access Buy-Back will be outlined in the Notice of Meeting documents seeking shareholder approval for the same.

It is proposed that the Equal Access Buy-Back will be funded from existing net cash reserves (approximately $0.95 million as at 31 August 2013).

The Company notes that the Board may consider undertaking annual Equal Access Buy-Back Schemes depending on the evaluation of the success of the proposed Equal Access Buy-Back initiative.

Reduction in Corporate Overheads

As announced on 3 April 2013, to assist the Company in reducing its corporate overheads:

- Chairman and Managing Director, Mr Farooq Khan, has voluntarily agreed to reduce his salary by 50%, saving the Company $68,000 per annum; and
- Company Secretary, Mr Victor Ho, has agreed to join the Board as an Executive Director at no further cost to the Company beyond his current executive remuneration.

Aggregate Board salaries/fees (including the Company Secretary's salary) now totals a modest (by ASX company standards) $122,500 per annum.

The Company has also implemented a series of changes to reduce its ongoing corporate overhead expenses including:

- securing alternate office accommodation at a significant reduced rental upon the expiry of its previous lease on 30 June 2013;
- a consolidation of office administration personnel; and
- instituting a general pay freeze for office personnel for the 2013 calendar year.

The Company continues to review a number of overheads associated with its ongoing operations as an ASX listed company including share registry and audit costs, the use of external advisers and office and administration expenses.

Return on Investments

In addition to the investment in 52.58% controlled entity, Orion Equities Limited (ASX Code : OEQ), Queste's principal assets comprise:

- a direct 2.37% (1,740,625) share investment in Bentley Capital Limited (ASX Code : BEL) valued at $0.46 million (at BEL's NTA backing of $0.264 per share as at 31 August 2013); and
- a cash position (net of trade creditors) of $0.95 million (as at 31 August 2013).

The Company has no debt other than normal trade creditors.

During the 2012/13 financial year, Queste's investments in ASX-listed securities have performed as follows:

- $17,763 net unrealised gain.

Queste has also been the recipient of regular distributions (recently one cent per share, twice a year via returns of capital) from Bentley Capital Limited. Bentley also has significant franking credits ($1.85 million as at 30 June 2013).

On 30 August 2013, Bentley announced its intention to seek shareholder approval (at the upcoming 2013 AGM) to undertake a further one cent per share return of capital.

For Further Information:

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