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TNG Limited

Opes Prime Impact

17.0 c

04/04/08



TNG Ltd (ASX:TNG) announced the extent to which its shares are involved with the recent Opes Prime collapse. Some 16.6m ordinary shares (8.6%) were apparently held through the now-defunct stock-brokers margin loan deals.

TNG's management had received no notification that significant shareholders thresholds had been crossed by Opes Prime's holdings.

None of the shares held by Opes Prime were submitted to the scheme by directors of TNG. There are unconfirmed reports that both of the principal banks involved in providing back-room finance via these margin loans, ANZ and Merrill Lynch, intend to sell-down their inherited stakes in the 677 equities involved. A court has declared that these banks are legally entitled to do so and take precedent over the estimated 1200 private investors when it comes to liquidating the assets of Opes Prime. The receiver is in place.

This has all the hallmarks of a long-running saga as claim and counter-claim are submitted to the courts. It appears that many of the 677 companies whose equity was involved are Perth-based junior miners and it is possible that some of these company's directors may have taken margin loans on portions of their own stakes in the companies.

It is reported that detail in the margin loan agreements between Opes Prime and its customers places securities subject to those agreements with the banks that provided the finance, in the event of the brokers defaulting on the loan. It is reported that some of those who took out the loans using securities as collateral may have been unaware of this risk. There have been other allegations against Opes Prime aired in the Australian press that we will not repeat.

Through no fault of the company and no fault of their own some of TNG's shareholders will be hurt by the collapse of this Melbourne stock broker as the banks sell down. The main protagonists at Opes Prime have surrendered their passports and the Australian Securities and Investment Commission (ASIC) is currently sifting through the books to see if there is any evidence that criminal activity has taken place. Opes Prime's debt to lenders is reported to have topped A\$1bn on its collapse.

We expect any selling down to be relatively quick as the banks recover funds. It may be that some of the shares involved have already passed through the market, but there will probably be more pain to come for many ASX-listed companies.

Share Price: 17.0 c
12m High: 110.0 c
12m Low: 15.0 c
Market Cap: \$33m AUS
Shares in Issue: 192.7m undiluted
211.1m fully diluted
Gearing: nil
Cash at the Bank: \$5m AUS
ASX Ticker: TNG
Sector: Mining
Market: ASX
Website:
www.tngltd.com.au

Analyst: Ian Falconer

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