

SANDON CAPITAL

Sandon Capital Investments Limited

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ASX Announcement

1 August 2019

Takeover Bid for Mercantile Investment Company Limited – Completion of Despatch of Bidder's Statement

Sandon Capital Limited (ASX:SNC) (**Sandon**) announces that it has today commenced and completed despatch of the bidder's statement dated 18 July 2019 (**Bidder's Statement**) and offers in relation to its off-market bid for the shares in Mercantile Investment Company Limited (ASX:MVT) (**Mercantile**) to shareholders of Mercantile.

The Offer is now open for acceptance and Sandon encourages Mercantile shareholders to accept the Offer as soon as possible, noting however that the Offer currently remains conditional.

Sandon's Offer is scheduled to close on 2 September 2019 unless extended or withdrawn.

A copy of the bidder's statement (including the Offer) is included with this announcement.

Also attached to this announcement is the Notice of Despatch of the Bidder's Statement to Mercantile shareholders.

Further information:

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1 August 2019

The Manager
Company Announcements
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Section 633(1), Item 8 Corporations Act 2001

Notice of Despatch of Bidder's Statement and Offers

Pursuant to section 633(1) item 8 of the *Corporations Act 2001* (Cth) (**Corporations Act**), Sandon Capital Investments Limited (**Sandon**) gives notice that the bidder's statement dated 18 July 2019 (**Bidder's Statement**) and offers in relation to its off-market bid for the shares in Mercantile Investment Company Limited (**Mercantile**) has been sent to each person who held securities in the bid class as at 7:00pm (Sydney time) on 19 July 2019 (being the date set by Sandon in accordance with section 633(2) of the Corporations Act), as required by section 633(1) item 6 of the Corporations Act.

The Bidder's Statement contain the terms of Sandon's offer. The date of the offers is 1 August 2019.

Yours sincerely



Gabriel Radzyminski
Director
For and on behalf of Sandon Capital Investments Limited

SANDON CAPITAL

Bidder's Statement

Off-Market Offer

By

**Sandon Capital Investments Limited
(ACN 107 772 467)**

to acquire all of your shares in

**Mercantile Investment Company Ltd
(ACN 121 415 576)**

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, you should consult your financial or other professional adviser.

To accept this Offer please complete the enclosed Acceptance Form and return to Link Market Services Limited.

The Offer is dated 1 August 2019 and will expire at 7:00pm (Sydney time) on 2 September 2019 unless earlier withdrawn or extended. ASIC takes no responsibility for this Bidder's Statement.



Legal Adviser

Important Information

Bidder's Statement and Offer

This is the Bidder's Statement dated 18 July 2019 given by SNC to Mercantile and each holder of Mercantile Shares under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a unanimous resolution of the Board of SNC. It includes an Offer for the Mercantile Shares dated 1 August 2019.

The Offer extends to Mercantile Shares on issue on 19 July 2019 and any Mercantile Shares issued during the Offer Period.

ASIC

A copy of this Bidder's Statement was lodged with ASIC and ASX on 18 July 2019. None of ASIC, ASX or their officers take any responsibility for the contents of this Bidder's Statement.

Investment decision

This is an important document. This Bidder's Statement does not take into account the individual investment objectives, financial situation or any particular needs of each Mercantile Shareholder or any other person. Mercantile Shareholders may wish to seek independent financial and taxation advice before making a decision as to whether to accept the Offer.

Forward looking statements

Except for historical information contained in this Bidder's Statement, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which SNC and Mercantile operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results made differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 10 of this Bidder's Statement.

None of SNC's officers, any person named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, accept to the extent required by law.

Mercantile and Merged Group

The information in this Bidder's Statement concerning Mercantile has been prepared by SNC using publicly available information and information made available to SNC by Mercantile and has not been independently verified. Accordingly, SNC does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information, other than as required by the Corporations Act.

The information on the Merged Group contained in this Bidder's Statement, to the extent that it incorporates or

reflects information on Mercantile, has been prepared using publicly available information and information made available to SNC and has not been independently verified. Accordingly, information in relation to the Merged Group is subject to the above disclaimer to that extent.

Further information relating to Mercantile may be included in Mercantile's target statement which will be sent to you by Mercantile.

Offers outside Australia

Mercantile Shareholders should note that the consideration under the Offer is securities of SNC, an Australian public company listed on ASX. The Offer is subject to disclosure requirements in Australia which are different from those applicable in other countries. Foreign Ineligible Shareholders will not be entitled to receive SNC Shares on acceptance of the Offer (unless SNC determines otherwise). Foreign Ineligible Shareholders who accept the Offer will receive a cash amount calculated in accordance with Section 13 of this Bidder's Statement.

This Bidder's Statement does not constitute an offer to issue or sell, or the soliciting of an offer to buy, any securities referred to in this Bidder's Statement to or from any person where, or in any jurisdiction in which, the issue, sale or purchase of such securities would be unlawful. The distribution of this Bidder's Statement to persons or in jurisdictions outside Australia may be restricted by law and any person into whose possession this Bidder's Statement comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. The SNC Shares have not been, and will not be, registered under the US Securities Act 1933 (as amended) and may not be offered or sold in the United States or to, or for the account of or benefit of, US persons except pursuant to an exemption from such registration requirements. Accordingly neither this Bidder's Statement nor the Acceptance Form may be sent to investors in the United States or otherwise distributed in the United States, except in compliance with the requirements of an exemption from such registration requirements.

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 14. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 14, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Privacy

SNC has collected your personal information from the register of Mercantile Shareholders for the purposes of making the Offer. The Corporations Act requires the names and addresses of Mercantile Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to SNC's related bodies corporate and holders of securities in SNC and its related bodies corporate, service providers and advisers, and may be required to be disclosed to regulators such as ASIC.

Contents

Independent Directors' Letter	4
Summary of the Offer	6
1. Reasons Why You Should Accept the Offer	8
2. Key Questions and Answers	17
3. Information on SNC.....	20
4. Information on SNC Shares	27
5. Information on Mercantile.....	30
6. Information on Mercantile Securities.....	35
7. SNC's Intentions in Relation to Mercantile.....	38
8. Impact on SNC.....	41
9. Sources of Bid Consideration	48
10. Risk Factors	49
11. Taxation Implications	54
12. Other Material Information	57
13. The Terms of the Offer.....	61
14. Glossary	71

Key Dates

Event	Date
Date of Bidder's Statement	18 July 2019
Offer opens (date of Offer)	1 August 2019
SNC Extraordinary General Meeting	12 August 2019
Date of Offers conditions notice*	26 August 2019
Close of Offers*	2 September 2019

* These dates are indicative only and may be changed as permitted by the Corporations Act.

Independent Directors' Letter

Dear Mercantile Shareholder

On 3 June 2019, Sandon Capital Investments Limited (**SNC**) announced its intention to make an off-market scrip takeover offer to acquire all of the shares in Mercantile Investment Company Limited (**Mercantile**).

The Independent Directors of SNC are pleased to present you with details of the offer to acquire your shares in Mercantile as set out in this Bidder's Statement (**Offer**). You are being offered 0.2043 SNC Shares for every Mercantile Share you hold (**Offer Consideration**).

As you may be aware, Sir Ron Brierley, the Chairman and largest indirect shareholder of Mercantile, has announced his plans to resign as Chairman, citing age and health reasons. Sir Ron has played the major role in management of the portfolio. His impending retirement requires Mercantile and its shareholders to consider the future of the company and how best to retain value for the portfolio.

The merger of SNC and Mercantile provides an opportunity for Mercantile to retain, and in time, to maximise the value of the Mercantile investment portfolio.

Importantly, the Offer provides continuity of management of Mercantile's investments. The Mercantile portfolio has been managed by Sir Ron and Mercantile's executive director, Mr Gabriel Radzynski, who is also Chief Investment Officer of SNC's investment manager, Sandon Capital Pty Ltd (**Sandon Capital** or **Investment Manager**). Mercantile and SNC share a similar investment philosophy and, although the methodology used to achieve investment aims has differed in some respects, the portfolios of SNC and Mercantile are a natural fit.

Historically, SNC and Mercantile have collaborated on investments. Sandon Capital will continue to manage SNC's portfolio, which will include the Mercantile portfolio should the Offer be successfully completed. Mercantile Shareholders will retain an exposure to an activist investment approach through their shareholding in the Merged Group.

The merger of SNC and Mercantile will result in a larger listed investment company with approximately \$100 million of net assets and more than 4,000 shareholders. This increase in scale has the potential to generate significant benefits for Mercantile and SNC shareholders.

Reasons to accept the Offer

Reasons for Mercantile Shareholders to accept the Offer include:

- The Offer provides Mercantile Shareholders with a succession plan following Sir Ron's retirement.

The merger provides the best opportunity to maximise the Mercantile portfolio value over time through continuity of investment management. Mr Radzynski has had day-to-day responsibility for Mercantile's operations as well as takeovers and engagement activities, under Sir Ron's direction. This unique position provides Mr Radzynski with the knowledge and skills to continue to manage the Mercantile portfolio as part of the Merged Group.

- Sir Ron Brierley supports the Offer. A company he controls (Siblow Pty Ltd (**Siblow**)) has already sold Mercantile Shares representing 18.9% of the issued capital of Mercantile to SNC in exchange for SNC Shares and has indicated its intention to accept the Offer in respect of

its remaining Mercantile Shares (presently representing a further 24.7% of Mercantile's issued shares) in the absence of a superior offer.¹

Sir Ron has also joined the Board of SNC as a non-executive director. The Merged Group will continue to have access to his knowledge of the Mercantile portfolio and his considerable investment experience more generally, albeit in a non-executive capacity.

- The Offer represents a premium to Mercantile's recent share prices.
- The Merged Group will offer advantages for Mercantile Shareholders:
 - SNC has a history of paying fully franked dividends and this is expected to continue. Since listing in 2013, SNC shareholders have received 29.5 cents per SNC Share of fully franked dividends and 12.0 cents per SNC Share of imputation credits. Over the same period Mercantile Shareholders have not been paid any dividends.
 - The greater scale and a larger capital base are expected to improve trading liquidity and enhance the ability to pursue more significant investment opportunities. SNC Shares have had greater liquidity than Mercantile Shares and SNC Shares have historically traded at lesser discounts to NTA than Mercantile Shares.

Please refer to Section 1 as it provides more detailed reasons to accept the Offer.

Conditions to the Offer

The Offer is subject to a number of conditions including SNC Shareholder approval. The Offer Conditions are summarised in the Section titled "Summary of the Offer" (which also provides an update on the status of these Conditions) and set out in full in Section 13.8.

Risks

An investment in SNC, following acceptance of the Offer, is not without risk. These risks include reliance on the Investment Manager, key man risk, strategy risk, legal risk, limited diversification risk, liquidity risk and market risk. Mercantile Shareholders are presently exposed to many of these risks through their investment in Mercantile. In deciding whether to accept the Offer, you should consider the risk factors outlined in Section 10.

How to accept

If you choose to accept the Offer you can either direct your Broker to accept the Offer on your CHES holding on your behalf, or complete and sign the enclosed Acceptance Form and return it in the reply paid envelope so that it is received before the closing date. The Offer is scheduled to close at 7:00pm (Sydney time) on 2 September 2019.

Further information

It is important that you read the information in this Bidder's Statement in deciding on our Offer and if necessary, contact a qualified investment adviser for assistance.

Thank you for considering this Offer. We look forward to receiving your acceptance.

Yours sincerely

Peter Velez
Independent Director
Sandon Capital Investments Limited

Melinda Snowden
Independent Director
Sandon Capital Investments Limited

¹ See Section 1.3 for further details of this intention statement.

Summary of the Offer

The information set out below is only a summary of the Offer. You should read the entire Bidder's Statement before deciding whether to accept the Offer.

The Bidder	SNC is the company making the Offer. See Section 3 for information relating to SNC.
The Offer	SNC is offering to acquire all of your Mercantile Shares.
Offer Consideration	You are offered 0.2043 SNC Shares for every 1 Mercantile Share.
Closing date	The Offer is scheduled to close at 7:00pm (Sydney time) on 2 September 2019 (but it may be extended).
Conditions	<p>The Offer is subject to the Conditions set out in Section 13.8 of this Bidder's Statement. These Conditions include that:</p> <ul style="list-style-type: none"> ➤ SNC Shareholders in general meeting pass all resolutions (including under the Listing Rules) necessary to permit SNC to complete the acquisition of all Mercantile Shares under the Offer. <i>SNC has convened an extraordinary general meeting to be held on 12 August 2019 to consider these resolutions and will announce the results of this meeting shortly following its conclusion;</i> ➤ during, or at the end of the Offer Period, SNC has Relevant Interests in at least 80% of the Mercantile Shares. <i>SNC has Relevant Interests in 18.9% of the Mercantile Shares as at the date of this Bidder's Statement. SNC has also received written notice of Siblow's intention to accept the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or on its behalf at that time, in the absence of a superior offer. Siblow is currently the beneficial owner of 69,430,338 Mercantile Shares, representing 24.7% of the issued capital of Mercantile. Should Siblow accept the Offer for these Shares, SNC would have a Relevant Interest in 43.6% of the Mercantile Shares (ignoring any other acceptances);</i> ➤ Mercantile does not redeem or repurchase any Mercantile Notes (or do anything that would cause Mercantile Notes to be redeemed earlier than their maturity date). <i>Mercantile announced on ASX on 16 July 2019 that it does not presently intend to redeem or repurchase any Mercantile Notes during the Offer Period;</i> ➤ no Service Agreement is terminated, amended or assigned, Mercantile does not grant any person any rights to manage Mercantile or any of its assets, and no proposal to terminate, amend or assign any Service Agreement or grant any rights to manage Mercantile or any of its assets is made. <i>SNC is not aware of any such action or proposal;</i> ➤ the NTA of Mercantile at any date as reported by Mercantile on ASX in accordance with Listing Rule 4.12 (Announced NTA) not declining by 10% or more below 19.42 cents (Bid NTA). <i>The Announced NTA for Mercantile as at 30 June 2019 was 20.03 cents, being higher than the Bid NTA;</i> ➤ each of the Bid NTA and each Announced NTA is calculated in accordance with the same principles, policies and practices adopted by Mercantile in calculating the NTA of Mercantile as at 30 April 2019; ➤ no regulatory action is taken which may restrain or materially adversely affect the making of the Offer or the continued operation of the business of Mercantile. <i>SNC is not aware of any such action as at the date of this Bidder's Statement;</i> ➤ no Prescribed Occurrence occurs. <i>SNC is not aware of any such Prescribed Occurrence as at the date of this Bidder's Statement;</i> and ➤ other conditions set out in Section 13.8. <p>The above is only a summary. The full terms of these Conditions are set out in Section</p>

13.8 of this Bidder's Statement.

Settlement terms

If you accept the Offer, SNC Shares will be issued to you on the later of:

- 1 month after the date you validly accept the Offer; or
- 1 month after the date the Offer becomes or is declared unconditional,

and in any event (assuming the Offer becomes or is declared unconditional), no later than 21 days after the end of the Offer Period.

Reasons to Accept the Offer

- The Offer provides Mercantile with a succession plan and an opportunity for Mercantile to maximise the value of the Mercantile portfolio.
- Sir Ron Brierley supports the Offer.
- The Merged Group will provide continuity of investment management.
- SNC's Investment Manager has a track record of long-term outperformance.
- The Offer represents a premium to Mercantile's recent share prices.
- SNC has a history of paying fully franked dividends. Mercantile does not.
- SNC Shares have had greater liquidity than Mercantile Shares and SNC Shares have historically traded at lesser discounts to NTA than Mercantile Shares.
- The Merged Group will have greater scale and a larger capital base with which to pursue investment opportunities.

See Section 1 for more information.

How to accept the Offer

CHESS Holdings

If your Mercantile Shares are in a CHESS Holding, to accept you must either:

- instruct your controlling participant (usually your Broker) to accept the Offer on your behalf; or
- complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.

Issuer Sponsored Holdings

If your Mercantile Shares are in an Issuer Sponsored Holding, to accept you must complete, sign and return the Acceptance Form in accordance with the instructions on it.

Signed Acceptance Forms must be received before the end of the Offer Period at:

By post

**Link Market Services Limited
Mercantile Takeover
Locked Bag A14
Sydney South NSW 1235**

Hand delivery

**Link Market Services Limited
Mercantile Takeover
1A Homebush Bay Drive
Rhodes NSW 2138**

A business reply-paid envelope is enclosed.

Further information

For questions about your Mercantile Shares, the Offer, or how to accept the Offer please refer to the remainder of this Bidder's Statement.

1. Reasons Why You Should Accept the Offer

1.1. The Offer provides Mercantile with a succession plan

Sir Ron Brierley announced his imminent retirement as Chairman of Mercantile on 6 June 2019. He cited age and health reasons as factors leading to him being unable to “*give the total commitment to the company which it requires and which shareholders deserve.*” In the absence of the Offer, Mercantile has no succession plan. It may be able to devise such a plan, but currently it has not announced any plan to address this eventuality.

Following Sir Ron’s retirement, it would be challenging for Mercantile to find an investment manager, other than Sandon Capital, with a combination of the experience and skills required to manage the Mercantile portfolio. Sandon Capital, for the reasons noted below, is uniquely positioned, with both the skills and the experience, required to continue to manage the Mercantile portfolio.

See Sections 1.2, 5.3 and 5.4 for more information.

1.2. The Offer provides an opportunity for Mercantile to maximise the value of the Mercantile portfolio

The merger of SNC and Mercantile provides an opportunity for Mercantile to retain, and in time, to maximise the value of the Mercantile portfolio.

The Mercantile portfolio, like SNC’s, has taken time to assemble. The Mercantile investment approach, like SNC’s, requires time and patience to realise the value of those investments. Many of the investments in the Mercantile portfolio may be difficult to liquidate at market prices, let alone at anywhere approaching their potential value in the short term. A merger with SNC may benefit Mercantile Shareholders by allowing these investments to be held by the Merged Group until their full value can be realised.

The Merged Group will provide continuity of investment management

The Offer presents Mercantile Shareholders with an opportunity to continue with exposure to the Mercantile portfolio and with a degree of continuity of investment management. Gabriel Radzynski, who is both executive director of Mercantile and Chief Investment Officer of Sandon Capital, the Investment Manager of SNC, has played a role, under Sir Ron’s direction, in the accumulation and management of the Mercantile portfolio. Since 2012, Mercantile’s investments have been managed by its investment committee, comprising Sir Ron as its Chairman and Mr Radzynski. Mr Radzynski’s role as executive director of Mercantile involves managing the day-to-day operations of Mercantile as well as assisting with the management of Mercantile’s investments under Sir Ron’s direction. See Sections 1.1, 5.3 and 5.4 for more information.

As Chief Investment Officer of the Investment Manager of SNC, Mr Radzynski will continue to manage the Mercantile portfolio, though as the ultimate decision-maker. Furthermore, Sir Ron’s recent appointment to the SNC Board as a non-executive director provides additional opportunity for continuity, as his considerable investment experience generally, and knowledge of the Mercantile portfolio specifically, is expected to continue to be available to the Merged Group, albeit in a non-executive capacity.

Sandon Capital has indicated it intends to continue the present investment activities of Mercantile. Please refer to the Section 7 for further details.

Sandon Capital’s investment approach shares many similarities with Sir Ron’s. Sandon Capital is a value investor that applies activist investor techniques to improve and extract value from the investments it makes. Its founder, Gabriel Radzynski, has developed this approach over the past 10 years. Please refer to the Section 3 for more information about Sandon Capital and its investment approach.

Benefits of scale

Mercantile has, for a number of years, relied on a short-term funding facility provided by Sir Ron to augment its capacity to fund investments and takeovers. With Sir Ron's impending retirement, this facility must be repaid no later than 31 December 2019. The loss of this facility may impinge on the flexibility available to Mercantile's future investment activities.

The Merged Group will have greater scale than Mercantile alone. This greater scale may:

- assist in mitigating the loss of the short-term funding arrangement;
- facilitate the Merged Group securing alternative commercial funding arrangements, for example from a bank or prime broker;
- provide greater capacity to fund any future takeover activities using internal resources; and
- better allow for the continuation of the current business strategy of Mercantile.

The greater scale of the Merged Group may also facilitate the redemption of the Mercantile Notes when they mature in July 2021, all other things being equal. Please refer to Section 7.5 for further details on how SNC proposes dealing with the Mercantile Notes.

1.3. Sir Ron Brierley supports the Offer

Siblow, an entity controlled by Sir Ron Brierley and Mercantile's largest shareholder, sold an initial 18.9% stake in Mercantile to SNC on 14 June 2019. Siblow was issued 10,823,974 SNC Shares for this parcel (being the number of Mercantile Shares acquired multiplied by 0.2043 (the same ratio as the Offer Consideration)) and as a result has become the largest shareholder in SNC.

On 20 June 2019, Siblow provided SNC with written notice of its intention to accept the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or on its behalf at that time, in the absence of a superior offer.² Siblow is currently the beneficial owner of 69,430,338 Mercantile Shares, representing 24.7% of the issued capital of Mercantile.³ Should Siblow accept the Offer for these Mercantile Shares, SNC would have a Relevant Interest in 43.6% of Mercantile's issued share capital.

In recognition of Siblow becoming the largest shareholder in SNC, Sir Ron Brierley has joined the SNC Board as a non-executive director.

1.4. SNC's Investment Manager has a track record of long term out-performance

Sandon Capital was established in 2008 and launched its first fund in 2009. Sandon Capital is a value investor that applies an activist investment strategy. There are two parts to this investment strategy. The first involves Sandon Capital identifying investments it considers are undervalued relative to the price at which they can be purchased. Sandon Capital is sector agnostic, so it is able to research and consider a wide range of investment opportunities. This first phase is similar to the approach used by other investors.

The second phase is where Sandon Capital differs from the approach of most other investors. This phase involves a process of active engagement with stakeholders, including company boards and management, shareholders and others. The aim is to use this engagement process to either enhance or extract value from its investments. This process usually begins in private, bilateral discussions with management, and will evolve, as necessary. In certain circumstances, the process will lead to public campaigns seeking changes in strategy, capital allocation, management and boards. This approach, developed by Sandon Capital, shares many similarities with the investment approach devised and employed by Sir Ron.

² A copy of this notice is attached as Appendix C to this Bidder's Statement.

³ Siblow Pty Limited is the registered holder of 50,783,852 Mercantile Shares, representing 18.09% of the issued capital of Mercantile. McNeil Nominees Pty Ltd (ACN 003 207 592) is registered holder 18,646,486 Mercantile Shares, representing 6.64% of the issued capital of Mercantile, and holds these Mercantile Shares on behalf of Siblow Pty Limited.

Sandon Capital has devised and launched numerous activist campaigns since it was established, including those where it has advised other investors. Notable recent examples include BlueScope Steel Ltd, Tatts Group Ltd and Watpac Ltd. Sandon Capital's website provides more examples of Sandon Capital's activist engagements. Please see Section 3.2 for further information.

Comparison between the investment returns of SNC and Mercantile

Since SNC listed in December 2013, the total shareholder return performance of SNC and Mercantile, as measured by share price performance plus dividends, has been similar. However, over the same period, SNC's investment returns, as measured by the change in pre-tax NTA plus dividends, have been superior to those of Mercantile. The total return since inception to 31 May 2019 for SNC was 28.7% compared to 22.1% for Mercantile. Over this time period, the correlation of returns was 0.87.

The table below compares the performance of SNC and Mercantile over various periods to 31 May 2019, being the last day on which SNC Shares and Mercantile Shares traded prior to the Announcement Date.⁴ Mercantile Shareholders should note that Sir Ron Brierley assumed primary responsibility for Mercantile's investment portfolio in 2012.

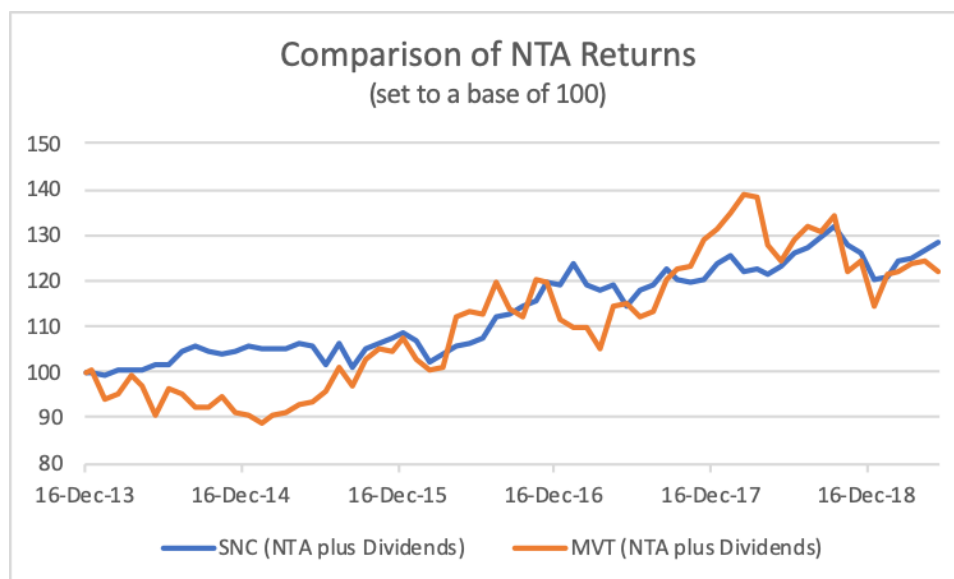
Returns to 31 May 2019	SNC		Mercantile		SNC (under)/outperformance	
	Share Price + Dividends	Pre-tax NTA + Dividends	Share Price + Dividends	Pre-tax NTA + Dividends	Share Price + Dividends	Pre-tax NTA + Dividends
1-mth	-2.6%	1.7%	0.0%	-1.8%	(2.6%)	3.5%
3-mth	-1.3%	3.5%	-3.1%	-0.1%	1.8%	3.5%
CYTD	2.3%	7.2%	-6.1%	6.7%	8.3%	0.5%
FYTD	-2.6%	2.2%	-11.4%	-5.3%	8.8%	7.5%
1-yr	-5.9%	4.7%	-8.8%	-1.6%	2.9%	6.3%
3-yr p.a.	7.4%	6.5%	3.5%	2.5%	3.9%	4.0%
5-yr p.a.	3.5%	4.8%	3.6%	6.1%	(0.1%)	(1.4%)
Total since inception	12.0%	28.7%	10.7%	22.1%	1.3%	6.6%

SNC does not consider it appropriate to include returns to 30 June 2019 in the table presented above as the NTA performance of SNC during June 2019 has been significantly affected by the acquisition of the initial 18.9% stake in Mercantile from Siblow, which was part of SNC's preliminary steps to undertaking the Offer. This stake was acquired at the same price as the Offer Consideration (that it, using the 31 May 2019 NTAs of each company). This price was, and remains, above the market price of Mercantile Shares. As a result, SNC was obliged to report a mark-to-market reduction in the value of these Mercantile Shares of approximately 20% in its accounts. If the Offer is successful, the value of these Mercantile Shares will be held at the prevailing NTA, thus eliminating the negative impact that was reported in SNC's 30 June 2019 NTA.

The chart below compares the NTA performance, including dividends, of SNC and Mercantile over the period since the IPO of SNC in December 2013 to 31 May 2019.⁵

⁴ Past performance is not a reliable indicator of future performance.

⁵ Past performance is not a reliable indicator of future performance.
3437-4839-9885, v. 33



Note: SNC's listing date was 23 December 2013. Mercantile has paid no dividends, whereas SNC has paid a total of 29.5 cents per share fully franked, since listing. This chart does not include the value of imputation credits.

Sources: Bloomberg, Sandon Capital analysis

In comparing the performance of SNC and Mercantile, Mercantile Shareholders must bear in mind that Mercantile's performance is improved by the absence of management and performance fees payable to Sir Ron. Sir Ron has historically performed the role of investment manager for Mercantile. He has not received any director's fees or other fees for acting as chief investment officer and chairman of the Mercantile Investment Committee. SNC considers market rates for an external manager performing this function are in the order of 1.25% to 1.50% of gross assets per annum plus performance incentives.⁶ Sandon Capital receives a management fee of 1.25% of gross assets per annum and a performance fee of 20% for returns in excess of the Cash Benchmark.

Please refer to Sections 3.3 or further details of SNC's investment management arrangements and to Sections 3.5 to 3.7 and Section 8.6 for further details on SNC's performance.

Sandon Capital is the Investment Manager of SNC. The arrangement between Sandon Capital and SNC is commonly referred to as an external management arrangement. Mercantile by contrast is described as being "internally managed", that is, by a subcommittee of the Mercantile Board, the Investment Committee.

The current cost of Mercantile's internal investment managements are lower than those of SNC's external management arrangements, however a direct comparison between the two should not be made. Mercantile Shareholders should note the following:

- Mercantile's current investment management costs are not reflective of its likely future investment management costs given that Sir Ron is not remunerated either as a director or as chairman of the Mercantile Investment Committee. Mercantile Shareholders have enjoyed significant cost savings as a result of Sir Ron's generosity which won't continue following Sir Ron's retirement.
- Mercantile has increased the retainer it pays Sandon Capital to provide the services of Mr Gabriel Radzynski and Mr Campbell Morgan as the scale, scope and complexity of Mercantile's investment activities have increased since 2012. During this time, Sir Ron, as noted above, has not been remunerated for this role leading the investment team.

SNC's investment management arrangements with Sandon Capital are comparable to market rates for similar, absolute return investment strategies. The table below shows a comparison of SNC's investment management fees and other listed investment companies that pursue absolute return investment strategies.

⁶ Based on a selection of other listed investment vehicles with an absolute return focus as outlined below in this Section 1.4. Private equity managers charge fees nearer to 2% management and 20% performance.
3437-4839-9885, v. 33

ASX Code	LIC/LIT Name	Management Fee	Benchmark	Performance Fee	High Water Mark
AEG	Absolute Equity Performance Fund Ltd	1.50%	nil	20%	Yes
LSF	L1 Long Short Fund Ltd	1.40%	nil	20%	Yes
RF1	Regal Investment Fund	1.50%	RBA Cash	20%	Yes
VG1	VGI Partners Global Investments Limited	1.50%	nil	15%	Yes
SNC	Sandon Capital Investments Ltd	1.25%	Cash (1M BBSW)	20%	Yes

Sources: Prospectus disclosures for each LIC/LIT

In the absence of the Offer, with Sir Ron's impending retirement, unless the Mercantile Board determines that it has the skills required to manage the portfolio, Mercantile would need to identify and remunerate an external investment manager. SNC expects that such an arrangement would need to be remunerated at arms' length terms at rates not dissimilar to those shown in the table above.

Sandon Capital's Long-Term Track Record

Aside from managing SNC's investment portfolio, Sandon Capital is investment manager for Sandon Capital Activist Fund (**SCAF**), an open-ended unlisted wholesale unit trust. Since its inception in September 2009, SCAF has delivered compound annual returns of 11.4% per annum net of all fees and expenses.⁷ This compares favourably against market accumulation indices over the same timeframe, as shown in the table below. Furthermore, the SCAF returns have been far less volatile than those of the market indices.

September 2009 to 30 June 2019	SCAF	Small Ordinaries Accumulation Index	S&P/ASX 200 Accumulation index
Annualised Return (p.a.)	11.4%	4.9%	8.8%
Annualised Monthly St Dev	8.0%	14.6%	11.7%

Note: SCAF returns are net of all fees and expenses.

Sources: Bloomberg, Sandon Capital

The investment mandate for SCAF is largely similar to that of SNC, except that it has not historically held any international investments. SNC's existing mandate allows for up to 15% of the portfolio to be held in international shares. Other than this difference, SCAF and SNC have similar portfolio holdings.

1.5. The Offer represents a premium to Mercantile's recent share prices

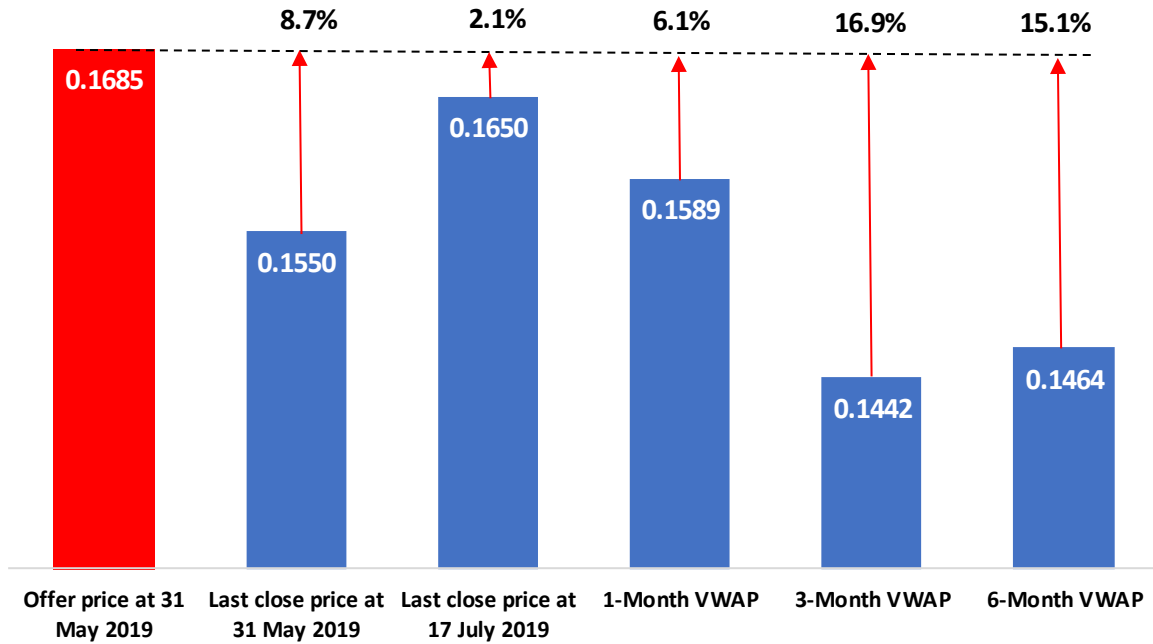
Under the Offer each accepting Mercantile Shareholder will receive 0.2043 new SNC Shares for every 1 Mercantile Share held. This represents an attractive premium to Mercantile's recent historical trading prices.

Based on the last closing price of SNC Shares prior to the announcement of the Offer, the Offer Consideration is equivalent to \$0.1685. Based on the last closing price of SNC Shares on 17 July 2019, the last practicable trading date prior to the date of this Bidder's Statement, the Offer Consideration is equivalent to \$0.1675.

The Offer Consideration, based on the last closing price of SNC Shares prior to announcement of the Offer, represents the following premia:

⁷ Note this performance is reported after all fees and expenses. A direct comparison to the performance of SNC and Mercantile is difficult, since as listed investment companies, these have additional corporate expenses an unlisted unit trust does not need to incur. Past performance is not a reliable indicator of future performance.

Offer Consideration - Premia comparison to Mercantile Share price

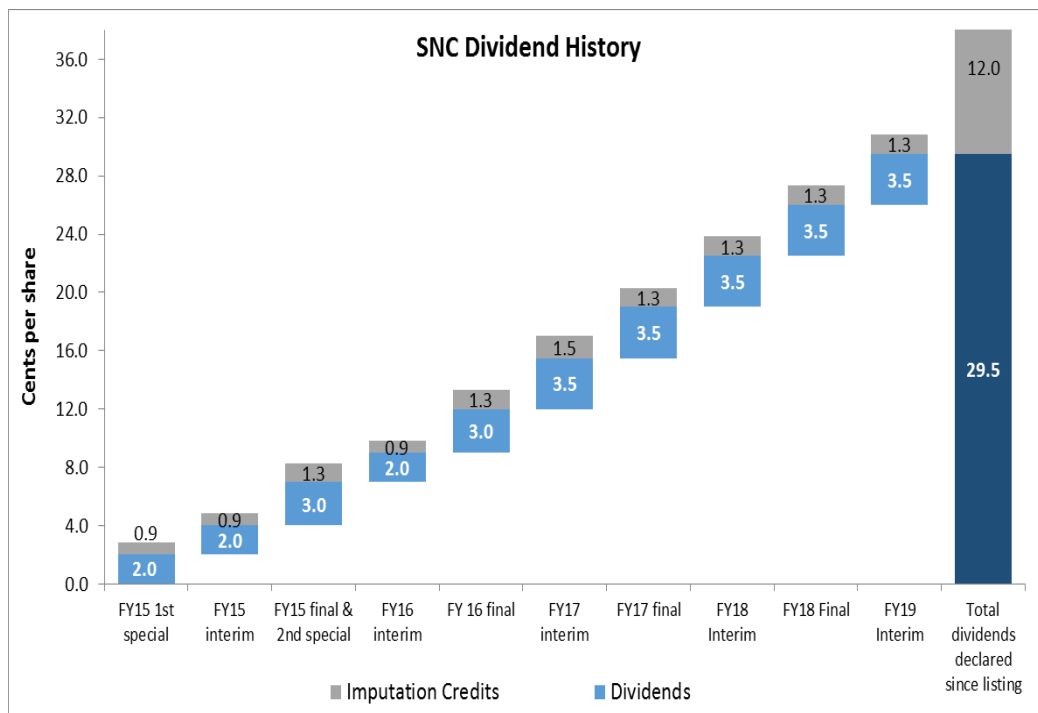


VWAPs in the chart above are to the period ending on 31 May 2019, being the last trading day prior to announcement of the Offer.

1.6. SNC has a history of paying fully franked dividends. Mercantile does not

SNC has a history of paying fully franked dividends. Since listing in 2013, it has paid 29.5 cents per SNC Share of fully franked dividends to its shareholders. SNC Shareholders have also received 12.0 cents per SNC Share of imputation credits.

The chart below shows SNC’s dividend history since inception, including imputation credits received by SNC Shareholders.

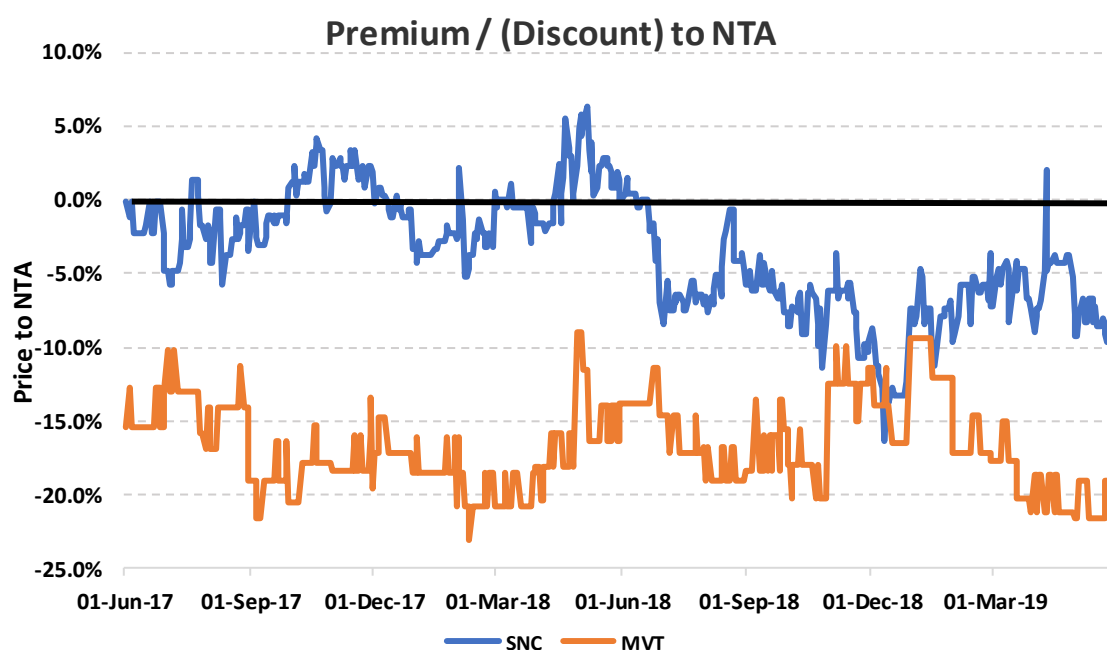


Mercantile by contrast has chosen not to pay dividends. Mercantile indicated at its last Annual General Meeting in 2018 that it was considering the possibility of paying dividends, however it has not yet done so.

The Merged Group is expected to continue to pay fully franked dividends. This means Mercantile Shareholders who accept the Offer may receive any future dividends declared by SNC. Please see Section 3.9 for further details regarding SNC's dividend policy and Section 4.4 for further details regarding SNC's dividend history.

1.7. SNC Shares have had greater liquidity than Mercantile Shares and SNC Shares have historically traded at lesser discounts to NTA than Mercantile Shares

SNC Shares have historically traded at lesser discounts to NTA than Mercantile Shares.⁸ Over the 2-year period to 31 May 2019, SNC's Shares have traded at an average discount to pre-tax NTA of 3.6%. Over the same period, Mercantile's Shares have traded at an average discount to pre-tax NTA of 16.7%. The chart below illustrates this comparison over the past two years.



Source: Bloomberg, Sandon Capital Analysis

SNC's Independent Directors believe that over time the shares of larger listed LICs have a greater likelihood of trading at prices closer to the net tangible asset backing than the shares of smaller LICs. SNC's Independent Directors note that the market prices for LIC shares often diverge from the LIC's NTA with shares trading at a discount or premium to NTA.

A factor that may contribute to LIC shares trading closer to their NTA is the liquidity of those shares. Shares with greater liquidity tend to be more highly valued by share market investors.

SNC Shares have historically exhibited greater liquidity than Mercantile Shares, even though Mercantile has a larger asset base than SNC. The table below compares average daily liquidity over the past 1 and 2 year periods.

Average daily value of shares traded:	SNC	Mercantile
1 year to 31 May 2019	\$33,180	\$23,270 ¹
2 years to 31 May 2019	\$33,000	\$18,416 ¹

1. The share trading figures for Mercantile have been affected by the sale of a large block of 12,500,000 Mercantile Shares by a former director of Mercantile. If this sale were to be excluded, Mercantile's average daily value of shares traded would be \$13,154 and \$13,387 in the 1- and 2-year periods to 31 May 2019.

A factor that contributes to the liquidity of shares is the number of shareholders. Generally, the greater the number of shareholders the greater the liquidity. The Merged Group is anticipated to initially have more than 4,000 shareholders.

Please refer to Sections 4.3 and 6.4 for further details regarding recent trading in SNC Shares and Mercantile Shares.

1.8. The Merged Group will have greater scale and a larger capital base with which to pursue investment opportunities

The Merged Group is anticipated to have net assets in excess of \$100 million. This is far larger than either SNC or Mercantile alone. SNC and Mercantile have already collaborated on a number of investments, where they have formed associations to increase their power to influence those investments.

Both companies' investment approaches are likely to benefit from being larger investors in the companies in which they invest. Larger investors tend to have the ability to exert greater influence over the companies they invest in, which in turn assists the strategies pursued by SNC and Mercantile.

The greater scale will also allow the Merged Group to consider investing in proportionately larger companies in future. The increased scale of the Merged Group may also assist in mitigating the loss of the short-term funding facility that needs to be repaid by 31 December 2019. The Merged Group, by virtue of its size, may be able to consider other opportunities, such as borrowing from banks or prime brokers, to assist with its investment activities.

The greater scale may, all other things being equal, also facilitate the redemption of the Mercantile Notes when they mature on 10 July 2021.

Please refer to Section 6.6 for further details regarding the impact of the Offer on the Mercantile Notes and Section 8.2 and 8.6 for further details regarding the impact of the Offer on SNC's financial position.

1.9. The Mercantile Share price may fall if the Offer lapses

While there are many factors that influence the market price of Mercantile Shares, there is a risk that Mercantile's Share price will fall to levels experienced prior to 3 June 2019 (the day the Offer was announced), at least in the short-term, if the Offer does not succeed and no other alternative offer or proposal emerges.

Please refer to Section 6.4 for further details regarding recent trading in Mercantile Shares.

1.10. There is no superior proposal or alternative offer for your Mercantile Shares

The Offer is the only offer available to Mercantile Shareholders as at the date of this Bidder's Statement.

1.11. You risk becoming a minority Mercantile Shareholder if you do not accept the Offer

If SNC gains majority control of Mercantile but SNC is not entitled to compulsorily acquire the remaining Mercantile Shares, those Mercantile Shareholders who have not accepted the Offer will become minority Mercantile Shareholders, with less influence over the future direction and control of Mercantile.

If SNC owns a majority of outstanding Mercantile Shares, there may be reduced liquidity in Mercantile Shares. This may mean that minority shareholders could find it more difficult to buy and sell Mercantile Shares. If liquidity reduces further, the discount to NTA of Mercantile Shares may widen further. Mercantile Shares have traded at an average historic 16.7% discount to pre-tax NTA in the two year period to 31 May 2019 (the last trading day before the Announcement Date).

In these circumstances, SNC will also seek to appoint nominees to the Mercantile Board in proportion to its shareholding. SNC may gain control over the Mercantile Board and, in this case, SNC (through

its representatives on the Mercantile Board) will control the decisions and the future direction of Mercantile to the extent permissible by law and the ASX Listing Rules.

If entitled to do so, SNC intends to seek to arrange for Mercantile to be removed from the Official List of the ASX and NZX. See Section 7 for further information concerning SNC intentions with respect to Mercantile.

1.12. No stamp duty in accepting the Offer

You will not be obliged to pay stamp duty if you accept the Offer. If your Mercantile Shares are registered in an Issuer Sponsored Holding, you will not incur any brokerage fees in accepting the Offer. If your Mercantile Shares are registered in a CHESS Holding, you will generally not incur any brokerage fees in accepting the Offer (although you should ask your Controlling Participant, normally your broker, to confirm).

If you sell your Mercantile Shares on the ASX instead of accepting the Offer, you may incur brokerage fees (and potentially GST on those fees).

1.13. Mercantile Shareholders may be eligible for tax rollover relief

Provided the pre-conditions for scrip for scrip rollover relief are satisfied (including that SNC acquires 80% or more of the Mercantile Shares) Australian tax resident Mercantile Shareholders who accept the Offer and who would otherwise derive a capital gain in respect of the exchange of Mercantile Shares for SNC Shares should be entitled to choose scrip for scrip rollover relief.

The effect of choosing scrip for scrip rollover relief would be that the capital gain arising from the exchange of the Mercantile Shares for SNC Shares would effectively be disregarded for Australian CGT purposes until a later CGT Event happens in respect of the SNC Shares acquired.

Please refer to Section 11 of this Bidder's Statement for a general summary of Australian tax considerations for Mercantile Shareholders.

2. Key Questions and Answers

This Section answers some key questions that you may have about the Offer and should only be read in conjunction with the entire Bidder's Statement.

2.1. What is the Bidder's Statement?

The Bidder's Statement sets out the terms of SNC's Offer and information relating to the Offer and the consideration you will receive.

2.2. What is the Offer?

SNC is offering to acquire your Mercantile Shares by way of an off-market takeover offer. The Offer extends to Mercantile Shares on issue at 7.00pm on 19 July 2019 and any Mercantile Shares issued during the Offer Period.

The Offer Consideration is 0.2043 SNC Shares for every 1 Mercantile Share.

If you become entitled to a fraction of a SNC Share under this Offer, the number of SNC Shares you are entitled to will be rounded to the nearest whole number.

The terms of the Offer are set out in Section 13.

2.3. What is the value of the Offer?

Based on the closing price of SNC Shares on the ASX on 31 May 2019 (the last trading day before the Announcement Date) of \$0.825, the implied Offer value is approximately \$0.1685 per Mercantile Share. Based on the closing price of SNC Shares on 17 July 2019, the last practicable trading date prior to the date of this Bidder's Statement, the implied Offer value is approximately \$0.1675 per Mercantile Share. The implied value of the Offer will change as a consequence of changes in the market price of SNC Shares. Please see Section 1.5 for further details.

2.4. Who is SNC?

SNC is an ASX listed investment company trading under ASX code SNC. SNC's objectives are to preserve shareholder capital, deliver a positive absolute return over the medium term and to provide shareholders with a growing stream of fully franked dividends.

SNC's investment portfolio is managed by an external investment manager, Sandon Capital. See Section 3 for further information about the history and business operations of SNC and Sandon Capital.

2.5. What are the tax consequences if I accept the Offer?

Please consult your financial, tax or other professional adviser on the tax implications of accepting the Offer. A general summary of the likely Australian tax consequences is set out in Section 11.

2.6. How do I accept the Offer?

CHES Holdings

If your Mercantile Shares are in a CHES Holding, to accept you must either:

- instruct your Controlling Participant (usually your Broker) to accept the Offer on your behalf; or
- complete, sign and return the enclosed Acceptance Form in accordance with the instructions on it.

Issuer Sponsored Holdings

If your Mercantile Shares are in an Issuer Sponsored Holding, to accept you must complete, sign and return the Acceptance Form in accordance with the instructions on it.

Participants

If you are a Participant (as defined in the ASX Settlement Rules) (typically, a stockbroker who is a participating organisation of ASX Settlement), the above does not apply. To accept the Offer you must initiate acceptance in accordance with the ASX Settlement Rules.

2.7. Can I accept the Offer for part of my holding?

No, you can only accept for all of your holding. Your acceptance will be treated as being for all your Mercantile Shares plus any additional Mercantile Shares registered as held by you at the date your acceptance is processed.

2.8. What happens if I do not accept the Offer?

Subject to what is stated below, you will remain the holder of your Mercantile Shares if you do not accept the Offer.

If SNC obtains a relevant interest in at least 90% of the Mercantile Shares (by number) on issue at any time during the Offer Period and the Conditions are satisfied or waived, SNC presently intends to proceed to compulsorily acquire your Mercantile Shares if you have not accepted the Offer (see Section 7.4). At the conclusion of the compulsory acquisition process, you will receive 0.2043 SNC Shares for every 1 Mercantile Share which is compulsorily acquired. You will receive consideration for your Mercantile Shares sooner if you accept the Offer.

If SNC has an interest in less than 90% of the Mercantile Shares, SNC will not be able to proceed to compulsorily acquire your Mercantile Shares. SNC's intentions if it has an interest in less than 90% of Mercantile Shares are described in Section 7.7.

2.9. Can I withdraw my acceptance?

Under the terms of the Offer, you cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offer, SNC varies the Offer in a way that postpones for more than 1 month the time when SNC has to pay you under the Offer (for example if SNC extends the Offer for more than 1 month while the Offer remains conditional).

2.10. When does the Offer close?

The Offer is currently scheduled to close at 7:00 pm (Sydney time) on 2 September 2019, unless extended or withdrawn.

2.11. Can SNC extend the Offer Period?

Yes, the Offer can be extended by SNC or otherwise in accordance with the Corporations Act. You will be sent written notice of any extension, as required by the Corporations Act.

2.12. Can I sell on the market the SNC Shares I receive from accepting the Offer?

Yes. You will be able to sell the SNC Shares you receive on the ASX.

2.13. What if I am a foreign shareholder?

Foreign Ineligible Shareholders of Mercantile Shares will not be entitled to receive SNC Shares on accepting the Offer. Foreign Ineligible Shareholders who accept the Offer will be paid the net cash sale proceeds of SNC Shares which they would otherwise have received (see Section 13.7(c)). Foreign Ineligible Shareholders are (unless SNC determines otherwise) holders of Mercantile Shares

whose address as shown in the register of members of Mercantile is in a jurisdiction other than Australia and its external territories or New Zealand.

For avoidance of doubt, Mercantile Shareholders with a registered address in Australia or in New Zealand are eligible to receive SNC Shares on accepting the Offer.

2.14. If I accept the Offer, when will I receive SNC Shares?

If you accept this Offer, SNC will, in the usual course, issue you with SNC Shares on or before the earlier of:

- (a) the day 1 month after you accept this Offer or, if this Offer is subject to a Condition when accepted, 1 month after the contract resulting from your acceptance becomes unconditional; and
- (b) the day 21 days after the end of the Offer Period, provided that the Offer has become unconditional.

Full details of when you will be issued SNC Shares are set out in Section 13.7.

2.15. Will I need to pay brokerage or stamp duty if I accept the Offer?

You will not pay any stamp duty on accepting the Offer.

If your Mercantile Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to SNC, you will not incur any brokerage connected with you accepting the Offer.

If your Mercantile Shares are in a CHESS Holding or you hold your Mercantile Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually, your Broker or the bank, custodian or other nominee) whether it will charge any transaction fees or service charges connected with you accepting the Offer.

2.16. What are the Conditions to the Offer?

The Conditions of the Offer are set out in Section 13.8(a) of this Bidder's Statement.

2.17. What happens if the Conditions are not satisfied or waived?

If the Conditions are not satisfied before the Offer closes or waived by SNC the Offer will lapse. SNC will make an announcement to the ASX if the Conditions are satisfied or waived during the Offer Period.

2.18. Are there any risks in accepting the Offer?

If you accept the Offer you may become a shareholder in SNC. There are risks in holding SNC Shares and these are summarised in Section 10.

2.19. Does the Offer apply to the Mercantile Notes?

No. The Offer does not extend to the Mercantile Notes. See Section 6.6 and 7.5 for details of the impact of the Offer on the Mercantile Notes.

3. Information on SNC

3.1. Overview of SNC

SNC is an ASX listed investment company trading under ASX code SNC. SNC's objectives are to preserve shareholder capital, deliver a positive absolute return over the medium term and to provide shareholders with a growing stream of fully franked dividends.

3.2. Investment philosophy and strategy

SNC's investment portfolio is managed by an external investment manager, Sandon Capital.

Sandon Capital is an activist value manager. It seeks to buy investments at prices the Investment Manager considers are below the intrinsic value of those investments. The Investment Manager deploys a range of activist strategies aimed at realising the intrinsic value of those investments. The Investment Manager may also take advantage of other market opportunities where it considers there are reasonable prospects for a satisfactory return. Sandon Capital selects investments on the basis of perceived undervaluation and the perceived strength of the opportunity to engage with the Board and management of the target and improve value.

Sandon Capital's investment strategy has two parts. The first involves Sandon Capital identifying investments it considers are undervalued relative to the prices at which they can be purchased. Sandon Capital is sector agnostic, so it is able to search far and wide for such opportunities. This first phase is similar to the approach used by value investors.

The second phase is where Sandon Capital differs from the approach of most other investors. This phase involves a process of engagement with stakeholders, including company boards and management, shareholders and others. The aim is to use this engagement process to either enhance or extract value from its investments. This process usually begins in private, bilateral discussions with management, and will evolve, as necessary. In certain circumstances, the process will lead to public campaigns seeking changes in strategy, management and boards. Each and every investment opportunity is different and there is no single formula for activism. This approach, developed by Sandon Capital, shares many similarities with the investment approach devised and employed by Sir Ron.

Sandon Capital has devised and launched numerous activist campaigns since it was established, including those where it has advised other investors. Notable recent examples include BlueScope Steel Ltd, Tatts Group Ltd and Watpac Ltd. Sandon Capital's website (in the section entitled Campaigns) provides more examples of Sandon Capital's activist engagements.

An active engagement strategy is more "hands on" and time-consuming than a traditional investment strategy. As a result, SNC's mature portfolio will be relatively concentrated, with a variable, but likely significant, amount of cash. The mature portfolio is targeted to focus typically on 5-6 key positions with up to 20 to 25 investments (sometimes more), with only a handful in "active engagement" mode at any one time. Other investments may be held passively as a position is being acquired, others as detailed tactics are being formulated. Sometimes, SNC may simply be holding a position, waiting for an opportune moment to engage or further engage with a portfolio company. SNC may also invest, from time to time, in market-based investment opportunities, such as placements, mergers and arbitrage opportunities and other investments it considers appropriate.

Sandon Capital expects that a typical holding period for an investment will be between 1 and 3 years, though actual holding periods may be more or less than this.

SNC may also hold significant proportions of its assets in cash. This may be the result of Sandon Capital building a position in a target investment, having recently sold down an investment, or as a result of having the view that cash represents a better alternative to being invested at that point. SNC does not limit cash holdings. That is, SNC could hold as much as 100% cash. SNC can also borrow or employ leverage. Leverage (including the value of assets sold short) is limited to 50% of the gross value of the portfolio. SNC may use derivatives to hedge, leverage or gain exposure to its investments. SNC may also short sell. This is where shares, for example, are borrowed then sold, in anticipation of being bought back later, at lower prices. Short selling can also be used for hedging

purposes. Please refer to Section 10 for further details of the risks of leverage, derivatives and short selling.

Impact of the merger on SNC's investment strategy

If the Offer is successful, the merger will, initially lead to a substantial increase in the number of investments held in the SNC portfolio. SNC has approximately 28 investments and Mercantile has more than 60. Both portfolios are relatively concentrated amongst their largest holdings. Please refer to Sections 3.4 and 5.5 that show the top 10 holdings of each company.

Sandon Capital has indicated it intends to continue the present investment activities of Mercantile. It will also evaluate each investment in the portfolio in the ordinary course of portfolio management. After an initial period, Sandon Capital anticipates the portfolio will, in time, reduce in number of investments held. Sandon Capital does not anticipate the Merger having any adverse effects on its investment strategy. See Section 7 for further details.

3.3. Investment Management Agreement between SNC and the Investment Manager

SNC and the Investment Manager are parties to an Investment Management Agreement dated 11 November 2013. A Director of SNC, Gabriel Radzyminski, is also a director of the Investment Manager. The Investment Manager is permitted to undertake investments that fall within SNC's investment strategy on behalf of SNC and without the approval of SNC's Directors. Investments that are outside SNC's investment strategy will require Board approval. In circumstances where Board approval is required, the Investment Manager will provide the Board with details of the relevant investment opportunity. The Board will review the information and will either give or withhold the approval required for SNC to make that investment. If the Board approves the investment, the Investment Manager will then execute the investment on behalf of SNC.

The term of the Investment Management Agreement is 10 years and neither SNC, nor the Investment Manager, may terminate the Investment Management Agreement upon the occurrence of a change of control event in respect of either party.

The Investment Manager is entitled to be paid a monthly management fee equal to 0.1042% (exclusive of GST) of the gross value of the portfolio of SNC calculated on the last business day of each month. This management fee equates to 1.25% per annum (exclusive of GST).

The Manager is also entitled to receive a performance fee calculated as a percentage of the increase in the value of the portfolio of SNC for each performance period. The performance fee is equal to 20% (exclusive of GST) of the amount (if any) of portfolio over-performance (amount by which the increase in the value of the portfolio exceeds the benchmark performance) during the performance calculation period. The benchmark performance is calculated by reference to the 1 month Bank Bill Swap Rate.

3.4. Investment portfolio

A summary of SNC's listed investments as at 30 June 2019 is shown below.

Listed Investments	Total Value (\$000)	%
Mercantile Investment Company Ltd	8,212	15.4%
Consolidated Operations Group Ltd	6,974	13.1%
Fleetwood Corporation Ltd	5,450	10.2%
Iluka Resources Ltd	5,357	10.1%
Spicers Ltd	3,827	7.2%
City Chic Collective Ltd	3,118	5.9%
Coventry Group Ltd	2,980	5.6%
OneMarket Ltd	2,169	4.1%
AIMS Property Securities Fund	2,020	3.8%
IDT Australia Ltd	1,822	3.4%
BCI Minerals Ltd	1,645	3.1%
Top 10 Listed Investments	43,573	81.8%
Other listed investments	9,672	18.2%
Total listed investments	53,245	100.0%

Source: SNC

3.5. Investment performance

The table below shows SNC's gross investment performance compared to the Small Ordinaries Accumulation Index to 30 June 2019.⁹

Gross Performance to 30 June 2019 ¹	1 Month	Financial YTD	Since inception ²
SNC	-1.7%	+4.6%	+9.3%
Small Ordinaries Accumulation Index	+3.4%	+11.0%	+9.6%
Outperformance³	-5.1%	-6.4%	-0.3%

1. The SNC and index returns are before all fees and expenses and before any taxes, except that SNC returns are after incurred brokerage expenses. Dividends paid during the period are included when calculating SNC's gross investment performance.

2. Annualised.

3. Note figures may not tally due to rounding.

Aside from managing SNC, Sandon Capital is investment manager for Sandon Capital Activist Fund (SCAF), an unlisted wholesale unit trust. Since its inception in September 2009, SCAF has delivered compound annual returns of 11.4% per annum net of all fees and expenses (to 30 June 2019). This compares favourably against market accumulation indices over the same timeframe, as shown in the table below. Furthermore, the historic SCAF returns have been far less volatile than those from the market indices.

Returns to 30 June 2019	SCAF	Small Ordinaries Accumulation Index	S&P/ASX 200 Accumulation index
Annualised Return (p.a.)	11.4%	4.9%	8.8%
Annualised Monthly St Dev	8.0%	14.6%	11.7%

Note: SCAF returns are net of all fees and expenses.

Sources: Bloomberg, Sandon Capital

Investors should note that past performance is not a reliable predictor of future performance.

⁹ The gross investment performance does not take into account the acquisition of Mercantile Shares on 14 June 2019.

3.6. Overview of SNC historical financial performance

A summary of the historical consolidated financial performance of SNC since 1 July 2015 is set out below:

	Six months ended 31 December 2018 \$	12 months ended 30 June 2018 \$	12 months ended 30 June 2017 \$	12 months ended 30 June 2016 \$
Income				
Net realised and unrealised gains on financial assets	(1,301,469)	4,375,864	6,094,424	3,719,972
Other Income from operating activities	232,944	1,676,846	728,260	933,815
Total income	(1,068,525)	6,052,710	6,822,684	4,653,787
Expenses				
Management fees	(314,501)	(632,703)	(606,639)	(515,961)
Performance fees	-	(977,993)	(1,079,084)	(651,728)
Directors' fees	(35,198)	(63,357)	(71,638)	(62,463)
Company secretarial fees	(24,234)	(44,226)	(40,015)	(33,991)
Brokerage expense	(29,043)	(40,744)	(84,899)	(83,876)
Custody fees	(11,192)	(20,850)	(20,989)	(20,893)
ASX listing and chess fees	(30,338)	(46,182)	(42,041)	(40,228)
Share registry fees	(21,475)	(41,798)	(46,751)	(50,094)
Accounting fees	(31,886)	(47,810)	(46,270)	(44,521)
Audit fees	(43,748)	(37,000)	(45,618)	(52,799)
Taxation fees	(32,309)	(61,578)	(80,567)	(55,120)
Legal fees	(9,490)	(10,281)	(18,604)	(6,336)
Other operating expenses	(43,937)	(55,603)	(40,324)	(55,220)
Total operating expenses	(627,351)	(2,080,125)	(2,223,439)	(1,673,230)
Profit / (loss) before income tax	(1,695,876)	3,972,585	4,599,245	2,980,557
Income tax expense	523,111	(616,142)	(1,250,337)	(767,909)
Profit / (loss) for the period	(1,172,765)	3,356,443	3,348,908	2,212,648

Source: The above information has been drawn from the audited financial statements for SNC and associated disclosures included in SNC's Annual Financial Reports for the years ended 30 June 2018, 30 June 2017 and 30 June 2016 and the auditor-reviewed financial statements for SNC and associated disclosures included in SNC's Half-Year Report for the half year ended 31 December 2018.

3.7. Commentary on SNC's financial results

In each period shown in the table above, SNC's results are a reflection of the returns, both realised and unrealised, from its investment portfolio, including dividends and distributions as well as the expenses incurred in the operation of the company. Aside from general corporate expenses, the main expenses incurred by SNC are its investment management expenses. These investment management expenses, which are paid to Sandon Capital, the Investment Manager, comprise base investment management fees and, where performance exceeds the benchmark, performance fees.

SNC has also declared and paid dividends totalling 29.5 cents per SNC Share since listing in 2013. Directors have not activated the dividend reinvestment plans (DRP) since 2014, which means that SNC's total assets have fallen by the amount of dividends paid, all other things being equal. SNC has paid \$12.8 million in dividends and \$5.2 million in imputation credits have been distributed to SNC shareholders since 2013.

The loss reported in the 6 months to 31 December 2018 reflected the diminution in the value of the portfolio in October, November and December 2018, which corresponded to declines in global share markets. The decline in the value of SNC's portfolio was less than that of the market as measured by

the Small Ordinaries Accumulation Index. SNC's gross portfolio declined 10.9% during those three months, compared to a decline of more than 14% for the Small Ordinaries Accumulation Index over the same period.

The majority of this decline was unrealised. Since the beginning of 2019 to 30 June 2019, SNC's gross investment returns have totalled 5.0%, meaning the portfolio has been able to recover almost half of those unrealised losses. This outcome is consistent with SNC's long term approach to investing.

3.8. SNC statement of financial position

The most recent auditor-reviewed statement of financial position for SNC as at 31 December 2018 is set out in Section 8.6.

3.9. Dividend policy

SNC's dividend policy is to pay a regular and growing stream of fully franked dividends to shareholders, provided that the company has sufficient profit reserves, franking credits and it is within prudent business practice. SNC's ability to generate franking credits is dependent upon the receipt of franked dividends from investments and the payment of tax.

Dividends are paid on a six-monthly basis. See Section 4.4 for details of SNC's dividend payment history. SNC has no current intention to amend its dividend policy.

3.10. Directors of SNC

Brief profiles of the Directors of SNC are as follows:

(a) Gabriel Radzimirski BA (Hons), MCom (Chairman and Non-Executive Director)

Gabriel is the founder and Managing Director of Sandon Capital, a boutique investment management and advisory firm. He is the portfolio manager of funds managed by Sandon Capital. Gabriel is an executive director of Mercantile Investment Company Limited. He is also a non-executive director of Future Generation Investment Fund Limited.

(b) Peter Velez LLB MA MSc (Independent Non-Executive director)

Peter is a corporate lawyer specialising in equity capital markets, mergers and acquisitions and funds management. Peter has also advised extensively on activist corporate activity, ASX compliance and corporate governance. Peter has been a practising lawyer since 1989 having worked at then national firm Freehill Hollingdale and Page and Sydney boutique corporate firm Watson Mangioni from 1995 to 2016. He played a key role in the development of externally-managed listed investment companies having been involved in the IPO of over 25 LICs. Peter is a member of the SNC Audit and Risk Committee. He is also a non-executive director of CBG Capital Limited.

(c) Melinda Snowden BEc, LLB, GAICD, FFin (Independent Non-Executive director)

Melinda Snowden is a professional company director and experienced audit and risk committee member across a range of sectors. Melinda brings to the board a deep understanding of investment markets, governance disciplines and strategic insight.

Melinda's other current directorships include WAM Leaders Limited and Newington College. She is a former director of Mercer Investments (Australia) Limited, Kennards Self Storage Pty Ltd, MLC Limited, the wealth management division of NAB, Vita Group Limited and SANE Australia.

Prior to leaving her executive career in 2010, Melinda was a corporate advisor for over 15 years with firms Grant Samuel, Merrill Lynch and Goldman Sachs in Australia and New York.

(d) Sir Ron Brierley (Non-Executive director)

Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 40 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group PLC (GPG) in 1990 where he also applied his investment approach. GPG was renamed (Coats Group PLC) on 6 March 2015. Sir Ron stepped down as a director of Coats Group PLC on 21 April 2015.

Sir Ron is Chairman of Mercantile.

3.11. Directors' interests in SNC Shares

As at the Announcement Date the Relevant Interests of each Director in SNC Shares was as follows:

Director	Relevant Interest in SNC Shares
Gabriel Radzynski ¹	434,859 SNC Shares
Peter Velez ²	42,000 SNC Shares
Melinda Snowden	5,000 SNC Shares
Sir Ron Brierley ³	10,823,974 SNC Shares

Notes:

1. Held by LJM & GF Radzynski ATF LR Super Fund, GNR Holdings Pty Ltd ATF Ross Shire Super Fund and Sandon Capital
2. Held by Csalad Services Pty Limited as trustee for the Velez Family Trust
3. Held by Siblow Pty Ltd

3.12. Directors' interests in Mercantile Shares

At the date of this Bidder's Statement:

- (a) Gabriel Radzynski has a Relevant Interest in 1,803,171 Mercantile Shares (through Gefare Pty Ltd ATF Centennial Trust and GNR Holdings Pty Ltd ATF Ross Shire Super Fund); and
- (b) Sir Ron Brierley has a Relevant Interest in 69,430,338 Mercantile Shares (through Siblow). On 20 June 2019, Siblow provided SNC with written notice of its intention to accept the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or on its behalf at that time, in the absence of a superior offer. See Section 1.3 for further details.

No other SNC Director, nor their Associates, hold any interests in Mercantile Shares.

3.13. Directors' fees and benefits

The non-executive Directors of SNC are entitled to remuneration for their role as Directors of SNC comprising payments of directors' fees. The current aggregate remuneration for SNC non-executive Directors is set at \$85,000 per annum. Non-executive Directors including the Chairman are not entitled to retirement or termination benefits.

In the financial year ending 30 June 2019, director fees totalling \$63,683 (inclusive of superannuation but exclusive of GST) were paid to the Directors as follows:

Director	Fees
Gabriel Radzynski	\$10,000
Peter Velez	\$25,000
Melinda Snowden ¹	\$24,412

Matthew Kidman ²	\$4,271
Sir Ron Brierley ³	Nil

Notes:

1. Excludes GST.
2. Resigned on 4 September 2018.
3. Appointed on 25 June 2019.

3.14. Director disclosures

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere in the last ten years which is relevant or material to the performance of their duties as a Director. No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12 month period after they ceased to be an officer.

3.15. Corporate governance

SNC recognises that good corporate governance plays an important role in its overall success and in enhancing shareholder value. Accordingly, SNC has adopted certain corporate governance practices which are reflective of its commitment to good corporate governance and of the recommended corporate governance guidelines by the ASX Corporate Governance Council (**Best Practice Recommendations**). These are available on the Company's website, at <https://www.sandoncapital.com.au/listed-investment-company/corporate-governance>.

SNC will provide an explanation of any departures from the Best Practice Recommendations in its future annual reports.

The Board will review the corporate governance policies and structures that SNC has in place on an ongoing basis to ensure that these are appropriate for the size of SNC and nature of its activities, and that these policies and structures continue to meet the corporate governance standards to which the Board is committed.

3.16. Publicly available information on SNC

As a disclosing entity for Corporations Act purposes, SNC is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to SNC may be obtained from, or inspected at, an ASIC office.

Each recipient of this Bidder's Statement has a right to obtain a copy of:

- (a) the SNC 2018 Annual Report (being the annual financial report most recently lodged with ASIC by SNC);
- (b) the half year financial report for the six months ended 31 December 2018 (lodged with the ASX on 27 February 2019); and
- (c) all continuous disclosure notices used to notify the ASX of information relating to SNC after the lodgement of that annual financial report and before the lodgement of this Bidder's Statement with ASIC. The documents listed in Annexure A to this Bidder's Statement were lodged by SNC with the ASX during this period.

Recipients of this Bidder's Statement who ask SNC for a copy of any of those documents during the Offer Period will be given copies free of charge.

The contact for this purpose is Mark Licciardo who can be contacted on (03) 8689 9997 or by email at markl@mertons.com.au.

4. Information on SNC Shares

4.1. SNC issued securities

As at the date of this Bidder's Statement, SNC has 59,259,401 SNC Shares on issue. SNC has no options or other convertible securities on issue.

Further information regarding the terms and conditions applicable to SNC Shares are set out below in this Section 4.

4.2. Substantial shareholders in SNC

As at the date of this Bidder's Statement, there is one substantial shareholder in SNC. The number of SNC Shares in which the substantial shareholder (and its Associates) have a Relevant Interest and the Voting Power of the substantial holder (and its Associates), as disclosed in notices of substantial holding and notices of change in substantial holding given to SNC up to that date, are set out in the below table.

Holder	SNC Shares	Voting Power
Siblow Pty Ltd ¹	10,823,974	18.3%

Notes:

1. Siblow Pty Ltd is an entity controlled by Sir Ron Brierley

4.3. Recent trading of SNC Shares

The last recorded sale price of SNC Shares on ASX on 31 May 2019 (being the last day of trading before the Announcement Date of 3 June 2019) was \$0.825.

In the four months before the Announcement Date:

- the highest recorded closing price of a SNC Share on ASX was \$0.97. SNC Shares traded at this price on 9 April 2019; and
- the lowest recorded closing price of a SNC Share was \$0.825 on 31 May 2019.

The chart below illustrates the share price over the 24 months ending on 31 May 2019, being the last trading day before the Announcement Date.



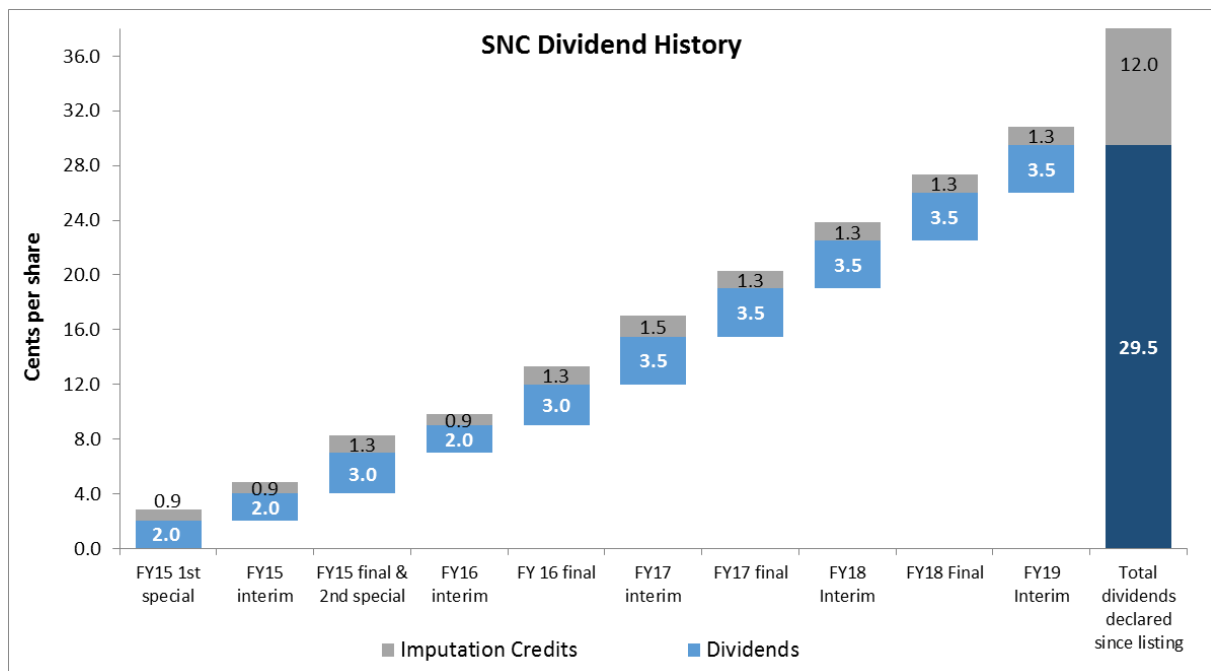
Source: Bloomberg

4.4. Dividend history

SNC has paid fully franked dividends each year since it listed. Since inception in December 2013, SNC has paid 29.5 cents per SNC Share of fully franked dividends. Imputation credits totalling 12.0 cents per SNC Share have been distributed to SNC Shareholders.

During each of the 2017 and 2018 financial years SNC has paid 7.0 cents per SNC Share in fully franked dividends. The most recent dividend, a 3.5 cents per SNC Share fully franked interim dividend in respect of the 2019 financial year, was paid to SNC Shareholders on 28 May 2019.

The chart below shows SNC's dividend history since inception, including imputation credits received by SNC Shareholders.



Source: SNC

4.5. Rights attaching to SNC Shares

The SNC Shares to be issued under the Offer will be issued fully paid and will rank equally for dividends and other rights with existing SNC Shares.

Under section 140(1) of the Corporations Act, the constitution of SNC has effect as a contract between SNC and each member and between a member of SNC and each other member. Accordingly, if you accept SNC Shares as consideration you will become liable to comply with the constitution of SNC. As the SNC Shares issued as consideration under the Offer will be issued credited as fully paid, no monetary liability attaches to them.

The constitution of SNC also sets out the principal rights attaching to SNC Shares. This Section provides a summary of these rights and the liabilities attaching to SNC Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of SNC.

The principal rights attaching to SNC Shares set out in the SNC constitution are summarised as follows:

- (a) **Meetings of shareholders and voting rights:** Each SNC Shareholder is entitled to receive notice of, attend and vote at general meetings of SNC and to receive all notices, accounts and other documents required to be sent to shareholders under the constitution of SNC or the Corporations Act or the ASX Listing Rules.

At a general meeting, every person present who is a SNC Shareholder or a proxy, attorney or representative of a SNC Shareholder has one vote on a show of hands and one vote on a poll for each fully paid share held. A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Voting at any general meeting of SNC Shareholders is by a show of hands, unless a poll is demanded by at least five SNC Shareholders entitled to vote on the resolution, or SNC Shareholders holding not less than 5% of the total voting rights of all shareholders having the right to vote on the resolution, or the chairman.

Where there are two or more joint holders of a share and more than one of them is present at a general meeting, in person or by proxy, attorney or representative, and tender a vote in respect of the share, SNC will count only the vote cast by, or on behalf of, the SNC Shareholder whose name appears first in SNC's register of members.

- (b) **Issues of further shares:** The SNC Directors may, on behalf of SNC, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the SNC Directors decide. However, the SNC Directors must act in accordance with the restrictions imposed by SNC's constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.
- (c) **Dividends:** Each SNC Share entitles the holder to participate in any dividend declared by the SNC Directors from time to time.
- (d) **Winding up:** Subject to any special resolution or special rights attaching to any SNC Shares or class of shares, SNC Shareholders will be entitled on a winding up to a share in any surplus assets of SNC in proportion to the shares held by them.
- (e) **Transfer of SNC Shares:** SNC Shares are traded on the ASX. Subject to SNC's constitution, the Corporations Act and the ASX Listing Rules, SNC Shares are freely transferable. SNC Shareholders may transfer their SNC Shares by a written transfer in the usual form or by a proper transfer effected in accordance with the ASX Settlement Rules and ASX requirements. All transfers must comply with SNC's constitution, the Listing Rules, the ASX Settlement Rules and the Corporations Act. The SNC Directors may refuse to register a transfer of shares in circumstances permitted by the Listing Rules or the ASX Settlement Rules. If the SNC Directors refuse to register a transfer, they must give the lodging party written notice in accordance with the Listing Rules. The SNC Directors must refuse to register a transfer of shares where required to do so by the Listing Rules or the ASX Settlement Rules.
- (f) **Dividend reinvestment and share plans:** The SNC Directors have adopted and have the power to implement dividend reinvestment plans (under which any SNC Shareholder may elect that dividends payable by SNC be reinvested by way of subscription for fully paid shares in SNC).
- (g) **Alteration of capital:** The procedures set out in sections 246B to 246E of the Corporations Act must be followed for any variation of rights attached to SNC Shares. Under those sections, with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or the sanction of a special resolution passed at a meeting of the holders of shares in that class, the rights attached to a class of shares may be varied or cancelled. In either case, the holders of not less than ten per cent of the votes in the class of shares whose rights have been varied or cancelled may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or cancellation.
- (h) **Amendment:** The constitution of SNC may be amended only by a special resolution passed by at least three quarters of the votes cast by SNC Shareholders entitled to vote on the resolution. At least 28 days' written notice of a meeting of shareholders must be given.

5. Information on Mercantile

5.1. Disclaimer

The following description of Mercantile and the financial information concerning Mercantile contained in this Section has been prepared by SNC primarily using publicly available information and information provided by Mercantile. Information in this document concerning Mercantile's business has not been independently verified and SNC has not conducted due diligence on Mercantile's business. To the extent permitted by law, SNC does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

The primary sources of information about Mercantile's business used by SNC are as follows:

- Mercantile's annual and half-year financial reports;
- Mercantile's ASX announcements; and
- Mercantile's website.

The information on Mercantile in this Bidder's Statement should not be considered comprehensive. You should refer to Mercantile's ASX announcements and Mercantile's Target Statement which Mercantile must provide to Mercantile Shareholders in response to this Bidder's Statement.

5.2. Overview of Mercantile

Mercantile is an ASX and NZX listed investment company trading under ASX and NZX codes MVT. The principal activities of Mercantile are investments in cash and securities which are expected to provide attractive risk adjusted returns, including by way of short-term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation. Mercantile also provides consumer finance and shipping services.

5.3. Investment philosophy and strategy

Mercantile is a deep value investor that principally invests in companies and trusts on the Australian Securities Exchange (ASX), the New Zealand Stock Exchange (NZX) and the London Stock Exchange (LSE). These include shares, unit trusts, stapled securities, debentures, promissory notes, hybrid securities, and rights. Mercantile may also invest in debentures, unsecured notes and bonds of a corporation or government, units or interests in cash management trusts, or any other financial products with which the Investment Committee may deem undervalued.

Mercantile will seek to invest in opportunities that are considered to be trading below their intrinsic values and, in many instances, offering the potential of being positively influenced by Mercantile taking an active role in proposing changes in the areas of corporate governance, capital management, strategic and operational issues, management arrangements and other related activities.

Mercantile's investments are managed by its Investment Committee. The Investment Committee comprises Sir Ron Brierley, who is Chairman, and Gabriel Radzyski. The Investment Committee meets regularly, as required. Sir Ron, as Chairman of the Investment Committee, is the ultimate decision-maker. Mr Radzyski has undertaken day-to-day management responsibilities for Mercantile since Sir Ron became Chairman in 2012. He has also been responsible for the execution of Investment Committee decisions, along with Sir Ron. Mr Radzyski has primary responsibility for carriage of Mercantile's takeover activities, including preparation and management of takeover bids. He also undertakes the majority of Mercantile's engagement activities with its portfolio companies.

The announcement by Sir Ron of his imminent retirement as Chairman of Mercantile has highlighted Mercantile's lack of a formal succession plan. In particular, Sir Ron has led Mercantile's investment effort, which means that if Sir Ron retires, Mercantile does not have any arrangement for continuity of

investment management. Mercantile currently has no formal investment management arrangements in place.

5.4. Relationship between Sandon Capital and Mercantile

Since 2012, Sandon Capital (the Investment Manager of SNC) has been engaged by Mercantile to provide a range of general administration services to Mercantile. Currently, these administration services include general management, accounting, premises and the services of Mr Gabriel Radzynski and other Sandon Capital staff. These arrangements are reviewed by Mercantile each year, and have been increased over time as Mercantile's scale, scope and complexity has increased. Currently, Mercantile pays Sandon Capital \$38,958 (including GST) per month for general services and \$7,150 (including GST) per month for accounting services. These arrangements can be terminated by either party with 3 months' notice.

Sandon Capital considers the retainer paid for providing general services, including those of Mr Radzynski, is below what would be considered normal arms' length terms. With the imminent retirement of Sir Ron Brierley as Chairman, Mercantile will need to consider its arrangements with respect to general and investment management activities.

Mercantile and SNC have a number of investments in common, including some where a formal association has been entered into. Such investments are managed collaboratively by both Sandon Capital and Mercantile, each party having formed the view that potential investment outcomes might be enhanced by forming such an association and having a proportionately larger stake in the target companies.

5.5. Investment portfolio

A summary of Mercantile's investments as at 30 June 2019 is shown below:

Investments	Total Value (\$000)	%
Ingenia Communities Group	11,880	15.2%
Spectra Systems Corp PLC	10,832	13.9%
Foundation Life Investment (NZ)	6,630	8.5%
Stanmore Coal Limited	4,988	6.4%
Fleetwood Corporation Ltd	4,338	5.6%
MG Unit Trust	4,320	5.5%
Yellow Brick Road Ltd	3,972	5.1%
CM Capital Venture Trust No 4	3,428	4.4%
Chalmers Limited	2,030	2.6%
NBC Private Equity Fund III	1,922	2.5%
Top 10 Investments	54,340	69.6%
Other investments	23,722	30.4%
Total investments	78,062	100.0%

Note: The investment portfolio shown above does not include Mercantile's interests in ASK Funding and Richfield Marine Agencies Pte Ltd

5.6. Overview of Mercantile historical financial performance

A summary of the historical consolidated financial performance of Mercantile since 1 July 2015 is set out below:

	Six months ended 31 December 2018 \$	12 months ended 30 June 2018 \$	12 months ended 30 June 2017 \$	12 months ended 30 June 2016 \$
Income				
Revenue from continuing operations	3,990,298	7,650,872	5,505,311	6,015,143
Other income	(546,555)	7,894,862	7,760,530	423,629
Gain / (loss) on acquisition	(1,049,386)	-	-	-
Total income	2,394,357	15,545,734	13,265,841	6,438,782
Expenses				
Accounting fees	(163,505)	(212,606)	(223,676)	(157,580)
Audit fees	(136,276)	(174,326)	(215,976)	(169,470)
Taxation service fees	(65,366)	(177,176)	(262,848)	(99,095)
Finance costs	(976,491)	(1,951,407)	(2,051,535)	(100,426)
Service agreement fees	(233,750)	(330,000)	(330,558)	(202,670)
Company secretary fees	(18,963)	(41,206)	(63,955)	(42,039)
Share registry fees	(166,998)	(74,249)	(138,764)	(119,207)
Brokerage	(22,528)	(56,779)	(120,548)	(53,623)
Impairment charges	(1,047,281)	(859,776)	(9,011,841)	(1,653,415)
Loan recovery costs	-	-	-	(295,925)
Legal and professional fees	(323,853)	(530,057)	(782,363)	(329,988)
ASIC & ASX charges	(82,683)	(97,649)	(82,218)	(67,115)
Share based payments	(310,000)	(112,000)	(517,500)	(164,000)
Employee benefits expense	(1,071,159)	(1,712,123)	(1,529,885)	(333,841)
Insurance	-	(43,602)	(92,176)	(167,348)
Other operating costs	(785,938)	(656,326)	(851,963)	(175,722)
Total operating expenses	(5,404,791)	(7,029,282)	(16,275,806)	(4,131,463)
Profit/(Loss) before income tax	(3,010,434)	8,516,452	(3,009,965)	2,307,319
Income tax expense	464,317	(1,729,072)	(2,101,167)	(657,726)
Profit/(Loss) for the period	(2,546,117)	6,787,380	(5,111,132)	1,649,593
Other comprehensive income				
Movement in fair value of long-term equity investments, net of tax	1,255,291	2,758,387	2,935,499	4,598,327
Total comprehensive Income / (Loss) for the year	(1,290,826)	9,545,767	(2,175,633)	6,247,920
Total comprehensive Income / (Loss) for the year attributable to:				
Members of the parent entity	(1,190,128)	9,387,233	(1,878,200)	6,503,421
Non-controlling interest	(100,698)	158,534	(297,433)	(255,501)
	(1,290,826)	9,545,767	(2,175,633)	6,247,920

Source: The above information has been drawn from the audited financial statements for Mercantile and associated disclosures included in Mercantile's Annual Financial Reports for the years ended 30 June 2018, 30 June 2017 and 30 June 2016 and the auditor-reviewed financial statements for Mercantile and associated disclosures included in Mercantile's Half-Year Report for the half year ended 31 December 2018.

5.7. Commentary on Mercantile's financial results

In each period shown, Mercantile's results are a reflection of the returns, both realised and unrealised, from its investment portfolio, including dividends and distributions as well as the expenses incurred in the operation of the company.

Unlike SNC, Mercantile owns two operating businesses, being ASK Funding Ltd and Richfield Maritime Agencies Pte Ltd. As a result, Mercantile reports significantly higher staff expenses and other operating expenses than would typically be expected of a listed investment company. For example, audit fees are incurred at a number of subsidiaries rather than only at the parent level. Mercantile also engages in far more takeover activity than a typical listed investment company. This results in significantly higher legal and registry fees.

Impairment charges arise from Mercantile's majority ownership of ASK Funding Ltd, which is a legal disbursement lending book in run-off. The impairments relate to loans made prior to Mercantile obtaining control of ASK Funding Ltd.

Mercantile shareholders have enjoyed the benefits of reduced investment management expenses by virtue of Sir Ron acting as chairman (of both Mercantile and its investment committee) at no cost to Mercantile and its shareholders. With his impending retirement, SNC would expect Mercantile's investment management costs to increase.

Mercantile has a short term debt facility that Sir Ron Brierley has provided. As at 30 June 2019, the amount outstanding (including interest) is \$6,164,055. Mercantile has announced that the due date for payment of all indebtedness owed by Mercantile to Sir Ron has been extended to 31 December 2019. SNC intends to procure Mercantile to repay this facility using the proceeds from the sale of investments (in the ordinary course of portfolio management).

5.8. Directors of Mercantile

The current directors of Mercantile comprise:

- (a) Sir Ron Brierley – chairman and non-executive director;
- (b) Mr Gabriel Radzynski – executive director;
- (c) Mr James Chirnside – non-executive director;
- (d) Ms Katrina Langlely – non-executive director;
- (e) Mr Daniel Weiss – non-executive director; and
- (f) Dr. Gary Weiss – alternate director (for Mr Daniel Weiss).

Information about each of the Mercantile director's experience and qualifications is contained on page 7 and 8 of Mercantile's 2018 Annual Report. This document was released to the market via the ASX announcements platform on 31 August 2018. A copy of this report can be obtained for free at www.asx.com.au.

5.9. Publicly available information on Mercantile

Mercantile is a company listed on ASX and NZX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and ASX Listing Rules. For information concerning the financial position and affairs of Mercantile, you should refer to the information that has been disclosed by Mercantile pursuant to these requirements. Copies of announcements made by Mercantile to ASX are available from ASX.

The financial annual report for Mercantile for the year ended 30 June 2018 was lodged with ASIC on 31 August 2018 and given to ASX on that date. The half year report for Mercantile for the six months ended 30 December 2018 was lodged with ASIC on 28 February 2019 and given to ASX on that date.

A list of Mercantile's announcements which have been lodged with ASX since 31 August 2018 (being the date of the lodgement of the annual financial report), is set out in Annexure B. This information may be relevant to your assessment of the Offer. A copy of each of these announcements can be obtained from ASX.

The Corporations Act requires the Mercantile Directors to provide a target's statement to holders of Mercantile Shares, setting out their recommendations in relation to this Offer and all the information that the holders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer.

This document will be mailed to you separately.

6. Information on Mercantile Securities

6.1. Capital structure of Mercantile

At the date of this Offer, Mercantile has on issue:

- 280,700,000 Mercantile Shares;
- 223,087 Mercantile Notes; and
- 50,000,000 unlisted Mercantile Options.

The Offer extends to Mercantile Shares that are issued during the Offer Period due to the conversion or exercise of the Mercantile Options (refer to Section 13.3 for more details). Further details regarding the effect of the Offer on the Mercantile Notes is included at Section 6.6 below of this Bidder's Statement.

6.2. SNC's interest in Mercantile Shares

As at the date of this Bidder's Statement and at the date of the Offer, SNC holds a Relevant Interest in 52,980,782 Mercantile Shares. This equates to 18.9% of the Mercantile Shares on issue.

On 20 June 2019, Siblow provided SNC with written notice of its intention to accept the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or on its behalf at that time, in the absence of a superior offer. Siblow is currently the beneficial owner of 69,430,338 Mercantile Shares, representing 24.7% of the issued capital of Mercantile. Should Siblow accept the Offer for these Shares, SNC would have a Relevant Interest in 43.6% of Mercantile's issued share capital.

6.3. Substantial shareholders in Mercantile

The names of the substantial shareholders in Mercantile, the number of Mercantile Shares in which the substantial shareholder (and its Associates) have a Relevant Interest and the Voting Power of the substantial holder (and its Associates), as disclosed in notices of substantial holding and notices of change in substantial holding given to Mercantile and filed at ASX as at the date of this Bidder's Statement, are:

Holder	Mercantile Shares	Voting Power
Siblow Pty Ltd ¹	69,430,338	24.7%
SNC	52,980,782	18.9%
Geoff Wilson and entities associated with him	35,250,522	12.6%
Phoenix Portfolios Pty Ltd	21,434,071	7.6%
Dr Gary Weiss ²	15,455,001	5.3%

1. On 20 June 2019, Siblow provided SNC with written notice of its intention to accept the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or on its behalf at that time, in the absence of a superior offer. See Section 1.3 for further details.
2. Includes 14,915,001 SNC Shares held by Portfolio Services Pty Ltd.

6.4. Recent trading of Mercantile Shares

Set out below is trading data regarding the price at which Mercantile Shares have traded on ASX on various dates prior to the Announcement Date (3 June 2019):¹

Date / Period	Open	High	Low	Close	VWAP	Volume
Last day of trading prior to Announcement Date	\$0.1550	\$0.1550	\$0.1550	\$0.1550	\$0.1550	3,334
1 month period prior to the Announcement Date	\$0.1550	\$0.1600	\$0.1550	\$0.1550	\$0.1589	1,654,561
6 month period prior to the Announcement Date	\$0.1750	\$0.1750	\$0.1550	\$0.1550	\$0.1464	19,396,302
12 month period prior to the Announcement Date	\$0.1700	\$0.1800	\$0.1550	\$0.1550	\$0.1532	26,281,499

Source: IRESS

1. The share trading figures for Mercantile have been affected by the sale of a large block of 12,500,000 Mercantile Shares by a former director of Mercantile.

6.5. Dividend policy

No dividends have been paid to Mercantile Shareholders.

6.6. Impact of the Offer on the Mercantile Notes

Mercantile has 223,087 8% unsecured notes on issue with a maturity date of 10 July 2021. The Notes were issued on 24 June 2016 and 16 December 2016 and at maturity Mercantile must repay the face value of each Mercantile Note (\$100) plus any accrued interest. The total face value of these Mercantile Notes is \$22,308,700.

Mercantile stated in the prospectus for the note issue that it expected to fund redemption of the Mercantile Notes through one or more (or a combination) of the following means:

- from cash holdings at the time of redemption;
- by issuing new debt securities;
- by entering into additional borrowing facilities or refinancing existing borrowing facilities of Mercantile and its controlled entities;
- by disposing of underlying financial assets or other assets; and
- by issuing Mercantile Shares or other equity or hybrid securities.

SNC anticipates it will repay the Mercantile Notes at maturity in a similar fashion. The larger capital base of the Merged Group will, all other things being equal, help facilitate the redemption of the Mercantile Notes.

If the Offer is successful, Mercantile, as a wholly owned subsidiary of SNC, will continue to make half yearly interest payments on the Mercantile Notes and expects to redeem them at Maturity on 10 July 2021.

Mercantile is currently admitted to the Official List of ASX as a standard ASX listing. If it is delisted (which will occur if the Offer is successful), the Mercantile Notes will cease to be quoted on ASX unless Mercantile applies for, and is granted, admission as an ASX debt listing. Mercantile announced on ASX on 16 July 2019 that it intends to apply to ASX and request that ASX exercise its discretion to change Mercantile's admission category (to a debt listing) at completion of the Offer (conditional on the Offer being successful). This would enable the Mercantile Notes to remain quoted on ASX if Mercantile becomes a wholly owned subsidiary of SNC following the Offer.

See Section 7.5 for further details regarding SNC's intentions relating to the Mercantile Notes.

6.7. Impact of the Offer on the Mercantile Options

Mercantile has 50,000,000 unlisted options on issue, with expiry dates of up to 31 December 2022. Gefare Pty Limited, a company controlled by Gabriel Radzyminski, a Director of SNC and Mercantile, holds 33,250,000 of these Mercantile Options and Glen Brae Capital Pty Limited, a company controlled by Campbell Morgan (an employee of Sandon Capital) holds 16,750,000 of these Mercantile Options.

SNC has entered into agreements with the holders of the Mercantile Options to acquire the Mercantile Options.

The consideration for the Option Acquisition is a cash payment of \$337,895 and the issue of 601,457 SNC Shares (**Option Acquisition**). Completion of the acquisitions of the Mercantile Options is conditional on the following:

- the conditions to the Offer have been satisfied or SNC has declared the Offer unconditional;
- Mercantile provides its written approval for the transfer of the Mercantile Options to SNC; and
- in the case of the 33,250,000 Mercantile Options held by an entity controlled by Gabriel Radzyminski, SNC Shareholders approving the issue of the consideration shares for the purposes of the ASX Listing Rules.

SNC may waive the first 2 conditions above but not the last. SNC has proposed a resolution seeking SNC Shareholder approval for this share issue at the extraordinary general meeting it has convened for 12 August 2019 in relation to the Offer. On 16 July 2019 Mercantile announced to the ASX that it intends to consent to the Option transfer if the Offer proceeds.

The acquisition of the Mercantile Options is not a Condition to the Offer.

7. SNC's Intentions in Relation to Mercantile

7.1. General

The intentions of SNC in relation to Mercantile are set out in this Section 7 of the Bidder's Statement. These intentions have been formed on the basis of facts and information concerning Mercantile, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by SNC in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this Section are statements of current intention only and accordingly may vary as new information becomes available or circumstances change.

7.2. Rationale for the Offer

SNC is small by today's listed investment company (**LIC**) standards. It has sought out opportunities to grow for a number of years, with a self-imposed constraint that it would not grow if a potential transaction would dilute existing shareholders. SNC has considered NTA-for-NTA merger opportunities with other listed investment companies as attractive opportunities to grow. It has explored a number of these opportunities in recent years, one of which was publicly announced last year.

The Independent Directors of SNC believe the primary benefits of growth for SNC (and the Merged Group, if the Offer is successful) as a result of the Offer are:

- potential for the Merged Group to reduce or eliminate duplicated corporate costs and defray costs across a significantly larger capital base, thus potentially reducing fixed costs per share;
- potential for increased liquidity of SNC Shares;
- potential for increased relevance of SNC to existing and potential shareholders and their advisers;
- potential for increased coverage by investment research providers and stockbrokers; and
- an increase in scale as an investor which may lead to a greater opportunity for SNC to diversify investments across its portfolio, the ability to hold more substantial positions and to hold investments in larger entities.

The announcement by Sir Ron Brierley of his imminent retirement from Mercantile provides an opportunity for SNC to offer Mercantile Shareholders an effective means of providing continuity of investment management. SNC's Investment Manager also provides services to Mercantile including those of Mr Gabriel Radzynski, who serves as executive director of Mercantile and is a member of the Mercantile Investment Committee along with Sir Ron Brierley.

7.3. SNC intentions for the Merged Group

Sandon Capital will continue to act as the Investment Manager of SNC. SNC's intentions in relation to the continuation of, and any significant changes to, Mercantile's business will depend on the level of acceptances received under the Offer. If SNC gains control of Mercantile, SNC intends to have its Investment Manager, Sandon Capital, manage the assets of the Mercantile. Mercantile currently has no formal investment management agreement in place and therefore no termination fees would be payable in such circumstances.¹⁰

Both companies seek to invest in assets they consider undervalued relative to the prices at which they can be acquired. As such, the Investment Manager has advised SNC that it expects most, if not all of Mercantile's investments will continue to be held as part of the Merged Group in this scenario. Of course, the Investment Manager will continually reassess its views on the prospects of each investment in the portfolio.

¹⁰ Mercantile does have a service agreement with Sandon Capital which requires Mercantile to provide 3 months' notice of termination to Sandon Capital.

Although there are differences in the investment approaches of Mr Radzynski and Sir Ron Brierley, there are also common features, including common investments. Indeed, in the past, Sandon Capital and Mercantile have agreed to form associations in respect of their intentions regarding some of these common investments.

Mercantile controls two small operating businesses, ASK Funding Ltd and Richfield Maritime Agencies Pte. Ltd. At this stage, based on discussions with the Investment Manager, SNC does not intend to make any changes to the way these businesses have operated under Mercantile's ownership.

Sandon Capital currently provides accounting services to both SNC and Mercantile. The same team will continue to provide these services under the Merged Group.

The merger may require SNC to review its portfolio guidelines, including the guideline of up to 15% of its portfolio being held in investments outside Australia, as Mercantile appears to have a larger proportion of its portfolio in international investments. Sandon Capital is entitled to request the Board varies these guidelines and SNC expects such a request will be made if SNC is successful in acquiring 100% ownership of Mercantile.

7.4. Compulsory acquisition

If, as a result of the Offer, SNC becomes entitled to compulsorily acquire outstanding Mercantile Shares under Part 6A.1 of the Corporations Act, SNC presently intends to proceed with compulsory acquisition of those Mercantile Shares.

7.5. Mercantile Notes

If a change of control of Mercantile occurs, the Mercantile board may redeem the Mercantile Notes. Mercantile announced on ASX on 16 July 2019 that it does not presently intend to exercise any right to redeem or repurchase the Mercantile Notes during the Offer Period.

If the Mercantile Notes remain on issue, SNC intends to procure Mercantile to repay the Mercantile Notes on their maturity. Please refer to Section 6.6 for details of how this repayment will be funded. Mercantile is currently admitted to the Official List of ASX as a standard ASX listing. If it is delisted (which will occur if the Offer is successful), the Mercantile Notes will cease to be quoted on ASX unless Mercantile applies for, and is granted, admission as an ASX debt listing. Mercantile announced on ASX on 16 July 2019 that it intends to apply to ASX and request that ASX exercise its discretion to change Mercantile's admission category (to a debt listing) at completion of the Offer (conditional on the Offer being successful). This would enable the Mercantile Notes to remain quoted on ASX if Mercantile becomes a wholly owned subsidiary of SNC following the Offer.

7.6. SNC's intentions generally for Mercantile

Except for the changes and intentions set out in this Section 7, SNC intends to, based on the information presently known to it:

- (a) arrange for Mercantile to be removed from the Official List of the ASX and NZX;
- (b) replace all members of the Mercantile board with nominees of SNC which will comprise SNC Directors (including any Mercantile nominees to the SNC Board) and members of the SNC's management team;
- (c) continue the present investment activities of Mercantile;
- (d) not to make any major changes to the business of Mercantile or the deployment of Mercantile's assets; and
- (e) repay as soon as practical the short term debt facility provided to Mercantile by Sir Ron Brierley. Mercantile has announced that the due date for payment of all indebtedness owed by Mercantile to Sir Ron has been extended to 31 December 2019. SNC intends to procure

Mercantile to repay this facility using the proceeds from the sale of investments (in the ordinary course of portfolio management).

7.7. SNC intentions for Mercantile if it is controlled by SNC

The intentions of SNC if Mercantile becomes a controlled entity, but not a wholly-owned subsidiary of SNC, are set out in this Section 7.7.

- (a) *SNC appointed board:* After the end of the Offer Period, SNC intends, subject to the Corporations Act, Listing Rules and the constitution of Mercantile to seek (through discussion and negotiation, but failing agreement, by convening a meeting of Mercantile shareholders) to replace some of the members of the Mercantile board with nominees of SNC, so that there is a majority of SNC nominees on the Mercantile Board and the proportion of such nominees is not less than the Voting Power of SNC. If Mercantile remains listed on the ASX, SNC would consider, but not necessarily be bound by, the recommendations in the ASX Corporate Governance Principles and Recommendations when determining the composition of the Mercantile Board. Replacement Mercantile Directors have not yet been finally decided by SNC and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement Mercantile Directors will be Directors of SNC;
- (b) *Possible delisting:* If it is entitled to do so, SNC intends to seek to arrange for Mercantile to be removed from the Official List of the ASX and NZX;
- (c) *Management arrangements:* To avoid double paying of management fees, SNC has agreed with the Investment Manager that any management fee payable to the Investment Manager by Mercantile will be rebated against the management fees payable by SNC to the Investment Manager; and
- (d) *Other:* SNC has not currently formed any intention in relation to the other assets of Mercantile.

7.8. Limitations on intentions

The intentions and statements of future conduct set out in this Section 7 must be read as being subject to:

- (a) the law (including the Corporations Act) and the Listing Rules, including in particular the requirements of the Corporations Act and the Listing Rules in relation to conflicts of interest and “related party” transactions given that, if SNC gains control of Mercantile but does not acquire all of the Mercantile Shares, it will be treated as a related party of Mercantile for these purposes; and
- (b) the legal obligation of the Mercantile directors at the time, including any nominees of SNC, to act in good faith and the best interests of Mercantile and for proper purposes and to have regard to the interest of all Mercantile Shareholders (in which regard the role of independent directors of Mercantile will also be important).

8. Impact on SNC

8.1. Introduction

This Section 8 presents the impact of the completion of the Offer of SNC. The precise impact of the Offer on SNC will depend on the level of acceptances received from Mercantile Shareholders under the Offer.

The Offer is subject to a minimum acceptance condition of 80%. If SNC achieves this minimum acceptance condition but does not receive acceptances for 90% or more of the issued Mercantile Shares, Mercantile will become a subsidiary of SNC but will not be a wholly owned subsidiary. This Section 8 also outlines the position of SNC in the event that SNC achieves acceptances of not less than 90% of the issued Mercantile Shares.

8.2. Overview of Merged Group

If the Offer proceeds and SNC achieves a Relevant Interest in at least 50.1% of Mercantile Shares, Mercantile will become a subsidiary of SNC. If SNC receives acceptances of not less than 90% under the Offer then SNC intends to compulsorily acquire the balance of Mercantile Shares outstanding, in which circumstances Mercantile would also become a wholly owned subsidiary of SNC.

The Merged Group would be publicly listed on the ASX and its investments would be managed by the Investment Manager. Assuming that SNC acquires 100% of Mercantile, the Merged Group would have combined pre-tax net tangible assets of approximately:

- \$98.7 million on a pro forma basis as at 31 December 2018;
- \$100.6 million as at 31 May 2019; and
- \$101.9 million using pre-tax NTA figures as at 30 June 2019.

In each of these illustrations, Mercantile Shareholders would own approximately 54% of the shares of the Merged Group and SNC Shareholders would own approximately 46%.¹¹

8.3. Board and management of SNC following the Offer

On 25 June 2019, SNC announced the appointment of Sir Ron Brierley as a non-executive Director of SNC. The current Board of SNC is set out in Section 3.10. Gabriel Radzynski will be Chairman of the Merged Group.

As at the date of this Bidder's Statement, the Independent Directors have not determined whether any other changes will be made to the SNC Board following completion of the Offer. The Independent Directors recognise that it is appropriate for Mercantile Shareholders to have representation on the SNC Board commensurate with their shareholding in the Merged Group. Accordingly, whether the Mercantile board is invited to present nominees for consideration will depend on the level of acceptance of the Offer.

Otherwise the management of SNC will not vary as a result of the Offer.

¹¹ Includes the initial Mercantile Stake from Siblow

8.4. Investment management of the portfolios following the Offer

The merger may require SNC to review its portfolio guidelines, including the guideline of up to 15% of its portfolio being held in investments outside Australia, as Mercantile has a larger proportion of its portfolio in international investments. Sandon Capital is entitled to request the Board varies these guidelines and expects such a request will be made if SNC is successful in acquiring 100% ownership of Mercantile.

Sandon Capital anticipates it will continue to hold the majority of the investments currently in Mercantile's portfolio. Obviously, investment management requires constant monitoring and review of the portfolio. Once full year 2019 results are reported by each investment, the Investment Manager will review all investments, including those currently held by SNC and those held by Mercantile, in light of those results. This may result in changes to the portfolio, but this is considered to be in the ordinary course of investment management. Those investments considered core by Mercantile's Investment Committee are anticipated to become core investments in the Merged Group.

8.5. Mercantile Notes and short term debt facility with Sir Ron Brierley

If the Offer is successful, Mercantile, as a wholly owned subsidiary of SNC, will continue to make half yearly interest payments on the Mercantile Notes and expects to redeem them at maturity on 10 July 2021. The impact of the Offer on the Mercantile Notes is set out in Sections 6.6 and 7.5.

Mercantile has a short term debt facility that Sir Ron Brierley has provided. As at 30 June 2019, the facility had a maturity date of 31 December 2019 and the amount outstanding (including interest) was \$6,164,055. As at the date of the Offer, the maturity date for this facility remains 31 December 2019.

If the Offer is successful, SNC anticipates repaying this debt prior to 31 December 2019.

8.6. Unaudited pro forma financial information

The pro forma financial information for SNC set out below has been prepared to illustrate the effect of the Offer, the acquisition of the initial 18.9% stake from Siblow and the Option Acquisitions on SNC assuming that these transactions occurred as at 31 December 2018.

The pro forma balance sheets are presented as two illustrative scenarios:

- (a) completion of the Offer with SNC acquiring 80% of the issued Mercantile Shares (**Scenario 1**); and
- (b) completion of the Offer with SNC acquiring 100% of the issued Mercantile Shares (**Scenario 2**).

These pro forma statements of financial position are intended to be illustrative and do not and will not reflect the actual position and balances of SNC as at 31 December 2018 or at the date of completion of the Offer, the acquisition of the initial 18.9% stake from Siblow or the Option Acquisition. They do not, for example, provide any information about the franking accounts of either company.

The pro forma information is to be read with the accompanying notes to and forming part of the pro forma statement of financial position as set out in this Section.

The pro forma statements of financial position are presented in summary form only and do not comply with the presentation and disclosure requirements of Australian Accounting Standards. SNC's financial information has been prepared in accordance with the significant accounting policies set out in note 2 to the notes to the financial statements contained in SNC's 2018 Annual Report.

Scenario 1 – 80% Ownership of Mercantile Shares

Unaudited Pro forma Statement of Financial Position	Note	SNC	Pro forma Adjustments	Tax	Merged Group
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	1	3,134,762	(337,895)	-	2,796,867
Trade and other receivables		196,398	-	-	196,398
Prepayments		20,479	-	-	20,479
Financial assets		41,596,383	-	-	41,596,383
Investment in Mercantile	2	-	44,408,676	(489,896)	43,918,780
Deferred tax assets	3 (a)	50,417	-	489,896	540,313
Total Assets		44,998,439	44,070,781	-	89,069,220
Liabilities					
Trade and other payables		136,262	-	-	136,262
Current tax liability		1,059,710	-	-	1,059,710
Deferred tax liabilities	4 (a)	206,937	-	-	206,937
Total Liabilities		1,402,909	-	-	1,402,909
Net Assets		43,595,530	44,070,781	-	87,666,311
Equity					
Issued capital	5	46,744,460	44,070,781	-	90,815,241
Profits appropriation reserve		3,015,393	-	-	3,015,393
Accumulated losses		(6,164,323)	-	-	(6,164,323)
Total Equity		43,595,530	44,070,781	-	87,666,311

Scenario 2 – 100% Ownership of Mercantile Shares

Unaudited Pro forma Statement of Financial Position	Note	SNC	Pro forma Adjustments	Tax	Merged Group
		\$	\$	\$	\$
Assets					
Cash and cash equivalents	1	3,134,762	(337,895)	-	2,796,867
Trade and other receivables		196,398	-	-	196,398
Prepayments		20,479	-	-	20,479
Financial assets		41,596,383	-	-	41,596,383
Investment in Mercantile	2	-	55,283,420	8,639	55,292,059
Deferred tax assets	3 (b)	50,417	-	104,232	154,649
Total Assets		44,998,439	54,945,525	112,871	100,056,835
Liabilities					
Trade and other payables		136,262	-	-	136,262
Current tax liability		1,059,710	-	-	1,059,710
Deferred tax liabilities	4 (b)	206,937	-	112,871	319,808
Total Liabilities		1,402,909	-	112,871	1,515,780
Net Assets		43,595,530	54,945,525	-	98,541,055
Equity					
Issued capital	5	46,744,460	54,945,525	-	101,689,985
Profits appropriation reserve		3,015,393	-	-	3,015,393
Accumulated losses		(6,164,323)	-	-	(6,164,323)
Total Equity		43,595,530	54,945,525	-	98,541,055

Note 1: Cash and cash equivalents

SNC has entered into agreement to acquire the 50,000,000 unlisted options in Mercantile currently on issue. The cash adjustment is the payment of \$337,895 for the cash component of the acquisition of the Mercantile Options.

Note 2: Investment in Mercantile Investment Company Ltd

Forming part of the pro forma adjustments to the 31 December 2018 statement of financial position for SNC is the recognition of the investment in Mercantile under the assumptions in Scenarios 1 and 2. The value of Mercantile has been recognised using the half yearly reviewed post tax Equity of Mercantile as at 31 December 2018 (from the Mercantile Appendix 4D – Half Year Results) for the purposes of the pro forma financial information.

Note 3: Deferred tax assets

- (a) 80% of the controlled entity's DTA as at 31 December 2018 has been taken up for the purpose of the pro forma adjustment for an 80% acquisition scenario. This represents the anticipated tax effect of the transaction for the enlarged group as part of the recognition of the investment in the controlled entity.
- (b) 100% of the controlled entity's DTA as it relates to non-incurred accruals, provisions, unrealised FX adjustments, prepayments etc at 31 December 2018 has been taken up for the purpose of the pro forma adjustment for a 100% acquisition scenario. No DTA has been recognised under a 100% acquisition scenario in relation to trading stock or investments held by the controlled entity as the tax cost of these assets will likely be updated under the tax consolidation provisions to equate with the underlying purchase price paid for acquiring the controlled entity. This represents the anticipated tax effect of the transaction for the enlarged group as part of the recognition of the investment in the controlled entity.

Note 4: Deferred tax liabilities

- (a) 80% of the controlled entity's DTL as at 31 December 2018 has been taken up for the purpose of the pro forma adjustment for an 80% acquisition scenario. This represents the anticipated tax effect of the transaction for the enlarged group as part of the recognition of the investment in the controlled entity.
- (b) 100% of the controlled entity's DTL as it relates to unrealised FX adjustments at 31 December 2018 has been taken up for the purpose of the pro forma adjustment for a 100% acquisition scenario. No DTL has been recognised under a 100% acquisition scenario in relation to trading stock or investments held by the controlled entity as the tax cost of these assets will likely be updated under the tax consolidation provisions to equate with the underlying purchase price paid for acquiring the controlled entity. This represents the anticipated tax effect of the transaction for the enlarged group as part of the recognition of the investment in the controlled entity.

Note 5: Issued capital

Forming part of the pro forma adjustments to the 31 December 2018 statement of financial position for SNC is the issue of new SNC Shares to Mercantile Shareholders in accordance with the terms of the Offer.

Tax impact of the Offer on SNC

The Offer is not expected to have any material impact on the tax position of SNC.

SNC is the head company of a tax consolidated group. If 100% of Mercantile is acquired by SNC, these companies will form part of the SNC tax consolidated group. In simple terms, this means that the entire group would be treated as a single amalgamated taxpayer for tax purposes. Apart from attending to the compliance aspects associated with deconsolidating the existing Mercantile tax

consolidated group and consolidating the Mercantile companies into SNC, the consolidation of Mercantile is not expected to have any material impact on the tax position of SNC.

If less than 100% of Mercantile is acquired by SNC, the Mercantile companies will continue to operate as a separate tax consolidated group in their own right. Again, this is not expected to have any material impact on the tax position of SNC.

Summary of Information

The information included in this Section 8 is unaudited pro forma financial information for the Merged Group on the basis that the implementation of the Offer had occurred as at 31 December 2018.

The unaudited pro forma combined statement of financial position of the Merged Group as at 31 December 2018 presented above has been produced with reference to the auditor-reviewed financial report for SNC as at 31 December 2018 and the auditor-reviewed financial report for Mercantile as at that date. The financial information reflects the latest publicly available information for Mercantile that is capable of being compared.

The SNC Board of Directors has assessed the requirements of AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities and have applied the criteria set out in that standard to the operations of SNC. SNC is therefore considered to be an investment entity and as a result, the investment in Mercantile would not be consolidated into the financial statements of SNC, but rather is accounted for as a financial asset at fair value through profit and loss. After acquisition, subsequent movements in the fair value of the identifiable net assets of the controlled entity are recorded as fair value gains or losses through the statement of financial performance.

The pro forma financial information does not represent what the Merged Group would look like on a combined consolidated basis, since it is not possible to produce this information from publicly available information and due to the accounting policies of SNC. No adjustments for potential synergy benefits have been included as the exact timing and amount of those benefits cannot be reliably estimated. However, the pro forma statement of financial position does reflect the issue of new SNC Shares to Mercantile Shareholders, and other adjustments required as a result of the Offer.

The pro forma statement of financial position is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Offer. In addition, the pro forma statement of financial position is presented in a summary format and therefore does not contain all the disclosures required under the Corporations Act.

Financial information relating to Mercantile has been sourced from publicly available information. SNC has relied on the information in the monthly NTA reports of Mercantile as well as audited and auditor-reviewed financial reports issued by Mercantile to prepare the financial information contained in this document.

SNC does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information. SNC has not been able to independently verify any of the information relating to Mercantile used in this document, for providing pro forma financial information.

The pro forma information presented in this section should also be read in conjunction with the risks set out in Section 10 of this Bidder's Statement, and the accounting policies of SNC and Mercantile as disclosed in their most recent audited financial reports.

The accounting policies of SNC and Mercantile are not considered materially different. The significant accounting policies adopted in the preparation of the historical financial information are disclosed in SNC's audited Annual Report for the financial year ended 30 June 2018.

8.7. Prospects for the Merged Group

As an activist LIC, the Independent Directors do not believe that they have a reasonable basis to forecast future performance. Accordingly, any forecast projection information would contain a broad

range of potential outcomes and possibilities that preclude preparation of reliable forecasts or projections.

There are some duplicated expenses that will be eliminated, but overall these will be minor. The Merged Group will be similar, yet different from both SNC and Mercantile.

The Merged Group will initially provide greater overall diversification among its existing portfolio holdings. The total number of investments will increase as the two portfolios are merged, however are expected to reduce in time as investments are realised. There is too much uncertainty surrounding this process to provide any indications of the timeframe over which this will occur.

The portfolio of the Merged Group will initially comprise all the investment of both Mercantile and SNC combined. As a result of the combination, the portfolio weighting of each investment will change. All things being equal, the Merged Group's portfolio will be more diverse than each of the two companies alone. The weightings of most investments in the portfolio of the Merged Group will be lower than they are in either Mercantile's or SNC's portfolios.

Mercantile Shareholders will be exposed to higher investment management costs as a result of Sandon Capital's investment management agreement. Sir Ron has historically performed the role of investment manager for Mercantile. He has not received any director's fees or other fees for acting as chief investment officer and chairman of the Mercantile Investment Committee. SNC considers market rates for an external manager performing this function are in the order of 1.25% to 1.50% of gross assets per annum plus performance incentives¹². Sandon Capital receives a management fee of 1.25% of gross assets per annum and a performance fee of 20% for returns in excess of the Cash Benchmark. Please refer to Section 3.3 for further details of SNC's investment management arrangements.

8.8. Capital structure after the Offer

The capital structure of SNC currently and in each of Scenarios 1 and 2 (as described in Section 8.5 above) is set out below.

SNC securities on issue	New SNC Shares issued	Total SNC Shares on issue at Offer completion	New SNC Shares issued as % of total SNC Shares on issue at Offer completion
Current shares on issue	-	59,259,401	-
Scenario 1 – 80% Ownership of Mercantile Shares	35,655,091	94,914,492	38.8%
Scenario 2 – 100% Ownership of Mercantile Shares ¹	47,124,493	106,383,894	44.3%

Note:

1. This does not include the SNC Shares that have already been issued to Siblow.

8.9. Impact on control

The issue of Shares under the Offer may materially alter the ownership makeup of SNC. At this point, it is not possible to determine the precise change in the ownership of SNC, as that is dependent on a number of factors including the level of acceptances of the Offer and the ownership of Mercantile Shares at the time of acceptances under the Offer.

At the date of this Bidder' Statement, the largest shareholder in each of SNC and Mercantile is Siblow:

¹² Based on a selection of other listed investment vehicles with an absolute return focus, as shown in Section 1.4. Private equity managers charge fees nearer to 2% management and 20% performance.

	SNC	Mercantile
Total shares on issue	59,259,401	280,700,000
Shares held or beneficially owned by Siblow	10,823,974	69,430,338
Shares held or beneficially owned by Siblow as a percentage total shares on issue	18.3%	24.7%

Should the Offer proceed and Siblow accept it, based on the exchange ratio of 0.2043 SNC Shares for every Mercantile Share (and assuming no other changes in Siblow's shareholdings in SNC or Mercantile), Siblow would have a relevant interest in 25,008,592 SNC Shares, representing between 23.5% (assuming full acceptances of the Offer) and 33.8% (assuming no other acceptances under the Offer) of SNC's total issued capital on completion of the Offer.

Ownership of SNC

	Shares held in SNC by Siblow	Total shares on Issue in SNC	Voting Power of Siblow
Current at date of Bidder's Statement	10,823,974	59,259,401	18.3%
Scenario 1 (80%)	25,008,592	94,914,492	26.3%
Scenario 2 (100%)	25,008,592	106,383,894	23.5%

9. Sources of Bid Consideration

9.1. Consideration under the Offer

The consideration for the Mercantile Shares acquired under the Offer will be satisfied by the issue of new SNC Shares.

9.2. SNC Shares to be issued as consideration

Based on the number of Mercantile Shares and Mercantile Options on issue as at the date of this Bidder's Statement, the maximum number of SNC Shares that would be required to settle acceptances under the Offer and the acquisition of the Mercantile Options is 47,124,493 (subject to rounding of entitlements).

9.3. SNC Shareholder approval

SNC requires SNC Shareholder approval for the acquisition of Mercantile Shares under the Offer.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

An issue of shares under a takeover bid is an exception to Listing Rule 7.1. However this exception is not available where the aggregate number of equity securities to be issued under the takeover bid (and any separate issue of shares forming part of the same commercial transaction) is equal to or greater than the number of fully paid ordinary securities on issue in the company at the date of announcement of the takeover bid.

If SNC successfully completes the Offer and acquires 100% of the Mercantile Shares, the number of SNC Shares issued by SNC, when aggregated with the SNC Shares already issued in consideration for the Mercantile Shares from Siblow and the SNC Shares to be issued on completion of the Option Acquisition, is greater than the number of SNC Shares on issue at the date of announcement of the Offer. As a result, SNC is seeking SNC Shareholder approval at an Extraordinary General Meeting to be held on 12 August 2019.

In addition, as Siblow is now a substantial holder of SNC with voting power in SNC of over 10% and the remaining Mercantile Shares beneficially owned by Siblow comprise a substantial asset, SNC requires SNC Shareholder approval for the acquisition of Siblow's remaining Mercantile Shares under the Offer for the purposes of Listing Rule 10.1.

Further details of SNC Shareholder approvals sought in relation to the Offer are set out in SNC's Notice of Meeting dated 9 July 2019 and released to the market via the ASX on that date.

Other than set out above, SNC does not require SNC Shareholder approval to issue SNC Shares as Offer Consideration.

9.4. Provision of Offer Consideration

Subject to the fulfilment or waiver of the Conditions to the Offer, SNC is of the opinion that it has reasonable basis for holding the view, and holds the view, that SNC will be able to provide the Offer Consideration.

10. Risk Factors

10.1. Risk factors associated with owning SNC Shares

If the Offer becomes unconditional, Mercantile Shareholders who accept the Offer will become shareholders in SNC. In that event, Mercantile Shareholders will:

- continue to be indirectly exposed to the risks associated with having an interest in Mercantile's assets and general economic, share market and industry risks;
- become exposed to additional risks, through their holding of SNC Shares, which are specific to SNC and its current operations; and
- become exposed to additional risks relating to the Offer.

The financial performance and operations of SNC's businesses, including the businesses of the Merged Group, the price of SNC Shares and the amount and timing of any dividends that SNC pays will be influenced by a range of factors. Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many of these factors are beyond the control of SNC and the SNC Board. Many of these factors also affect the businesses of other companies operating in the same industry.

Section 10 provides a summary, which is not exhaustive, of some of the major risk factors associated with an investment in SNC. Mercantile Shareholders should consider carefully these risk factors and the other information contained in this Bidder's Statement.

10.2. Risks relating to the SNC businesses

(a) *Performance of SNC's investment portfolio*

The success and profitability of SNC will largely depend upon the performance of its investment portfolio. No guarantee can be given in respect of the future earnings of SNC or its investment portfolio performance.

(b) *Reliance on the Investment Manager*

The success and profitability of SNC will also largely depend upon the ability of the Investment Manager to invest in Securities and other permitted instruments which have the ability to generate a return for SNC. SNC is exposed to the risk that the Investment Manager may cease to manage the portfolio. It follows also that SNC is exposed to the risk the Investment Manager may fail to make investments that generate a return or indeed may make investments that lose money.

(c) *Key man risk*

Gabriel Radzynski is the Managing Director of the Investment Manager and the Chairman of SNC. Gabriel is responsible for the Investment Manager devising and implementing SNC's investment strategy. SNC is exposed to the risk that Gabriel Radzynski will cease to be involved with the Investment Manager and cease to manage SNC's Portfolio.

(d) *Strategy risk*

The performance of SNC is reliant on the success of the activist strategy developed by the Investment Manager. There is no guarantee that any aspect of such a strategy will be successful.

(e) *Legal risk*

SNC will pursue an active strategy of engaging with investees and other stakeholders to improve value. There is a possibility this action may lead to litigation or other enforcement action.

(f) *Limited diversification*

The Portfolio may be less diversified than other listed investment companies. SNC has flexibility to take significant positions in individual investments. This may reduce the diversity of the Portfolio and would increase the exposure to abnormal falls in the market price of any single investment.

(g) *Liquidity risk*

The ability to sell Shares will be a function of the liquidity of the Shares at the time of sale. Liquidity itself is a function of the size of SNC and also the cumulative investment intentions of all current and possible investors in SNC at any one point in time. In addition, there is no guarantee that SNC's investments will be liquid.

(h) *Market risk*

There is a risk that investments that form part of SNC's Portfolio may fall in price, value or both over short or extended periods of time. Investors in SNC are exposed to market risk both through their holding in Shares as well as through SNC's Portfolio of investments.

(i) *Derivatives risk*

Risks associated with using derivatives include the value of the derivative failing to move in line with the underlying asset, potential illiquidity of the derivative, the Company or the Manager may not be able to meet payment obligations as they arise, regulatory risk and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract).

(j) *Regulatory risk*

SNC is exposed to the risk of changes to applicable laws or their interpretation which have a negative effect on the Company, its investments or returns to Shareholders and the risk of noncompliance with reporting or other legal obligations.

(k) *Credit/counterparty risk*

The strategies of SNC rely on the successful performance of contracts with external counterparties, including securities brokers and issuers of Securities to which the Company may have investment exposure. There is a risk that these counterparties may not meet their responsibilities, including as a result of the insolvency, financial distress or liquidation of the counterparty.

(l) *Forex/foreign investment risk*

SNC may invest in foreign Securities. Any investment in foreign securities may expose SNC to adverse fluctuations of foreign exchange (or currency) risk. SNC may or may not seek to hedge against such risks. If it does seek to hedge such risks, the hedging strategies SNC may employ may not be successful.

Foreign investments held by SNC may be subject to restrictions on the ability of foreign-domiciled companies to make payments of principal, dividends or interest to investors located outside the country, due to blockage of foreign currency exchanges, changes to tax laws, changes to local regulations or otherwise which could cause SNC to lose money on these investments.

(m) *Short selling risk*

The Company may use short selling as a strategy to try to improve returns and to manage risk. The short sale of a Security can involve much greater risk than buying a Security, as losses on the Securities purchased are restricted at most to the amount invested, whereas losses on a short position can be much greater than the initial value of the Security, as they can be unlimited. Additionally, there can be no guarantee that the Securities necessary to cover a short position will be available for purchase. Short selling will also incur interest and other costs on the Securities borrowed by the Company for sale. For a short sale to be profitable the return from the strategy must exceed these costs and, where losses are incurred on the strategy, these costs may increase the losses.

10.3. Risks relating to the Offer

(a) *Limited acceptance risk*

The Offer is subject to a 80% minimum acceptance condition. If SNC achieves voting power in Mercantile prior to the end of the offer period of 90% or more, it will be in a position to undertake compulsory acquisition of all remaining Mercantile Shares and Mercantile will become a wholly owned subsidiary of SNC.

If this threshold for compulsory acquisition is not achieved but SNC satisfies its minimum acceptance condition of 80% of Mercantile, SNC will be in a position to determine the financial and operating policies of Mercantile and so Mercantile will become a subsidiary of SNC. However, the board of Mercantile in these circumstances will be obliged to act bona fide in the best interests of shareholders of Mercantile including minority shareholders holding Mercantile Shares that SNC has not acquired under the Offer. Among other things:

- SNC may not be able to ensure that a special resolution of members of Mercantile is passed unless its shareholding in Mercantile exceeds 75%;
- SNC will not be in a position to include Mercantile in a tax consolidated group which may place limitations on the efficient sharing of tax benefits between SNC and Mercantile;
- the ability of SNC to realise synergies associated with the acquisition of Mercantile pursuant to the Offer may be constrained.

While SNC does not presently intend to do so, it is open to SNC to declare the Mercantile Offer free from the 80% minimum acceptance condition. If SNC does waive this condition and does not achieve ownership of over 50% of the issued Mercantile Shares, Mercantile will not become a subsidiary of SNC and SNC's ability to determine the financial and operating policies of Mercantile may be constrained.

The ability of SNC to influence the affairs of Mercantile will depend on, among other things, the extent of acceptances it receives under the Offer and subsequently, its ability to secure the appointment of its nominees to the board of Mercantile and the composition of the remaining share register of Mercantile. SNC's ability to realise synergies from the Offer will be further constrained in these circumstances.

(b) *Issue of SNC Shares*

Pursuant to the Offer, SNC will issue a significant number of new SNC Shares. Some Mercantile Shareholders may not wish to continue to hold SNC Shares which they receive and may sell them on the ASX. Further, a nominee appointed by SNC (and approved by ASIC) will be issued any SNC Shares attributable to Foreign Ineligible Shareholders and will sell them.

If a significant number of SNC Shares are sold, or there is a significant number of Mercantile Shares held by Foreign Ineligible Shareholders (resulting in a significant number of SNC Shares being sold by the nominee) the price at which SNC Shares are traded on ASX may be adversely affected.

(c) *Information on Mercantile*

In preparing the information on Mercantile included in this Bidder's Statement, SNC has primarily relied on publicly available information and information provided by Mercantile. Any inaccuracy in the information on Mercantile contained in this Bidder's Statement could have an adverse impact on the financial performance of SNC following the Offer and the value of SNC Shares.

In addition, it is possible that additional risks may exist in relation to Mercantile's business which are unknown to SNC.

10.4. General investment risks

Mercantile Shareholders should be aware that acquiring SNC Shares involves various risks. There are general risks associated with owning securities in publicly listed companies. The price of securities can go down as well as up due to factors outside the control of SNC or Mercantile. These factors include Australian and worldwide economic and political stability, natural disaster, performance of the Australian stock market as a whole, and the Australian interest rates, foreign exchange, taxation and labour relations environments.

These are risks of investment which are considered beyond the control of SNC.

(a) *Possible volatility of SNC Share price*

The stock market has from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies. The market price of SNC Shares may be volatile and may go down as well as up. Factors that may have a significant impact on the market price and marketability of SNC Shares include announcements as to government regulation, variation in interest rates, the activities of any competitors, economic and other external factors, as well as fluctuations in SNC's operating results.

(b) *Regulation and publicity*

Changes to the regulatory environment for the industries in which SNC operates or any publicity may have an impact on SNC which may materially affect an investment.

(c) *Macroeconomic risks*

The general state of the Australian and international economies as well as changes in taxation, monetary policy, interest rates, statutory requirements and currency exchange rates may influence the profitability of SNC and may affect the value of SNC Shares.

Investment returns are influenced by market factors, including changes in the economic conditions (e.g. changes in interest rates and economic activity), changes to legislative and political environment, as well as changes in investor sentiment. In addition, exogenous shocks, natural disasters, acts of terrorism and financial market turmoil (such as the global financial crisis) can (and sometimes do) add to equity market volatility as well as impact directly on individual entities.

(d) *Taxation risks*

Tax liabilities are the responsibility of each individual investor, and SNC is not responsible either for taxation or penalties incurred by investors. Investors should consult their own taxation advisers to ascertain the tax implications of their investment.

(e) *Taxation considerations*

The effects of taxation can be complex and may change over time. A summary of the current Australian income tax implications associated with acceptance of the Offer is outlined in Section 11. However, this summary is general in nature and, as the circumstances for each Mercantile Shareholder may vary, Mercantile Shareholders should seek professional taxation advice in relation to their own position.

Changes to the taxation environment, including taxation laws and their commercial application may have a material adverse effect on a Mercantile Shareholder's investment in SNC Shares or otherwise have a material adverse effect on SNC's business and financial position.

(f) *Future securities issues*

Subject to the Listing Rules, SNC may, without the approval of SNC Shareholders issue further SNC Shares or other securities. Any such issue may dilute the interest a SNC Shareholder will have in SNC.

(g) *Regulatory changes*

Changes to the regulatory environment, including the Corporations Act and ASIC policy and their commercial application may have a material adverse effect on a SNC Shareholder's investment in SNC Shares or otherwise have a material adverse effect on SNC's business and financial position.

10.5. Note on risk factors

The above list of general and specific risk factors should not be taken as exhaustive of the risks faced by SNC, Mercantile or by Mercantile Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of SNC and Mercantile and the value of SNC Shares. Therefore, SNC Shares carry no guarantee with respect to the payment of dividends or returns of capital. Neither SNC nor any of its Directors guarantees that any specific objectives of SNC and Mercantile will be achieved or that any particular performance of SNC, Mercantile or of SNC Shares will be achieved.

11. Taxation Implications

11.1. Introduction

The following is a broad outline of the principal Australian income tax consequences for Australian resident individual and company Mercantile Shareholders associated with acceptance of the Offer and issue of SNC Shares. This outline is not exhaustive of all possible income tax considerations that could apply to particular Mercantile Shareholders. There are a number of limitations to the outline including that:

- (a) it applies only to Australian resident individual and company taxpayers. It does not cover the tax treatment for any other classes of taxpayers including individuals who are non-residents of Australia for tax purposes, insurance organisations, superannuation funds, trusts or employees of Mercantile who acquired their Mercantile Shares in respect of their employment;
- (b) it applies only where Mercantile Shareholders hold their Mercantile Shares on capital account. It does not apply where the Mercantile Shares are held on revenue account (e.g. shares held by Mercantile Shareholders who trade in Securities or hold Mercantile Shares as trading stock); and
- (c) it is based on Australian tax law in effect at the date of this Bidder's Statement. It does not consider or anticipate any changes in the law (including changes to legislation, judicial authority or administrative practice).

SNC and its advisers do not accept any liability or responsibility in respect of any statement concerning the taxation consequences of the Offer or in respect of the taxation consequences themselves. All Mercantile Shareholders, and particularly those shareholders whose situation is not addressed in this outline as noted above, should consult their own independent professional tax advisers regarding the tax consequences of disposing of Mercantile Shares and acquiring SNC Shares.

11.2. Acceptance of the Offer and disposal of Mercantile Shares

Capital gain or loss

The disposal of Mercantile Shares by a Mercantile Shareholder pursuant to the Offer constitutes a Capital Gains Tax (CGT) event for Australian income tax purposes.

Mercantile Shareholders may realise a capital gain or a capital loss in respect of the disposal of their Mercantile Shares (refer to Section 11.2(a) below), subject to the availability of scrip for scrip roll-over relief (refer Section 11.2(b) below).

In certain circumstances, Mercantile Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals and 33 1/3% for complying superannuation funds.

- (a) Where roll-over relief is unavailable or not chosen

To the extent that scrip for scrip roll-over relief is not available (e.g. if SNC does not achieve an 80% level of acceptance) or is not accessed (e.g. the Mercantile Shareholder is not a resident of Australia for taxation purposes, or the Mercantile Shareholder chooses not to access roll-over relief), the tax consequences should be as follows:

- a capital gain should arise to the extent that the capital proceeds from the disposal of Mercantile Shares (being the issue price of SNC Shares) exceeds the cost base of the Mercantile Shares; or
- a capital loss should be realised to the extent the capital proceeds received by a Mercantile Shareholder are less than the reduced cost base of the Mercantile Shares.

Any capital gain realised in respect of the disposal of the Mercantile Shares should be included in the Mercantile Shareholder's assessable income in the tax year in which the Offer is accepted (unless the resulting capital gains are completely offset against other capital losses of the Mercantile Shareholder). Capital losses may be applied against any other capital gains derived by the Mercantile Shareholder in the same year. Any unapplied capital losses may be carried forward to be applied against future capital gains.

Because all shares in Mercantile were acquired after 11.45am on 21 September 1999, the indexation method is not available. Accordingly, if Mercantile Shares are held by an individual and have been held for more than 12 months before the date on which the Mercantile Shareholder accepted the Offer, then the CGT discount referred to above should generally be available.

It should be noted that the CGT discount is not available where Mercantile Shares are held by a company.

(b) Scrip for scrip roll-over relief

Subdivision 124-M of the Income Tax Assessment Act 1997 provides scrip for scrip roll-over relief where shareholders dispose of some or all of their shares in one company in exchange for shares in another company. Roll-over relief may be available where:

- a Mercantile Shareholder receives SNC Shares in consideration for the disposal of some or all of their Mercantile Shares under the Offer;
- as a result of the Offer, SNC obtains 80% or more of the Mercantile Shares;
- but for the roll-over, a capital gain would arise from the exchange;
- the relevant Mercantile Shareholder is an Australian resident; and
- the relevant Mercantile Shareholder chooses that the roll-over applies.

SNC is not in a position to confirm that the 80% requirement will be satisfied for the purposes of determining whether roll-over relief will be available to the Mercantile Shareholders. Should this 80% requirement not be satisfied, scrip for scrip roll-over relief may not be available.

Where scrip for scrip rollover relief is accessed, any capital gain resulting from the disposal by Mercantile Shareholders of Mercantile Shares pursuant to the Offer is disregarded. Furthermore, SNC Shares should be deemed to have the same cost base and acquisition date for CGT purposes as the corresponding Mercantile Shares disposed.

As a result of accessing scrip for scrip rollover relief, the CGT implications should be effectively deferred until the relevant Mercantile Shareholders dispose of SNC Shares acquired pursuant to the Offer.

All Mercantile Shareholders, and particularly those not covered by this outline as noted above, should obtain their own independent professional taxation advice as to whether and how a roll-over election should be made.

11.3. Disposal of SNC Shares

The income tax consequences of any disposal by a Mercantile Shareholder of SNC Shares should be broadly the same as for the disposal of Mercantile Shares as described in Section 11.2, subject to the differences outlined below.

SNC Shares acquired where roll-over election was made

Where a choice to apply scrip for scrip roll-over relief was available and was made by a Mercantile Shareholder in respect of the disposal of Mercantile Shares, the cost base of SNC Shares issued to the Mercantile Shareholder under the Offer is equal to the cost base of the Mercantile Shares that

were exchanged for SNC Shares which will be apportioned across SNC Shares on a reasonable basis.

Individual Mercantile Shareholders may determine whether SNC Shares have been held for at least 12 months for the purpose of applying the CGT discount in relation to any capital gain as a result of disposing of SNC Shares (see Section 11.2(b) above) by reference to the date that they acquired the Mercantile Shares. Therefore, if the combined period during which the Mercantile Shareholder held the Mercantile Shares and SNC Shares is at least 12 months, the Mercantile Shareholder may be entitled to apply the CGT discount in respect of the disposal of SNC Shares.

SNC Shares acquired where roll-over relief does not apply

Where roll-over does not apply to the disposal of Mercantile Shares, the cost base of SNC Shares which are received in exchange for those Mercantile Shares includes the market value of the Mercantile Shares at the date of acceptance of the Offer. This is also the acquisition date for the purposes of applying the 12 month holding period rule.

11.4. Stamp duty

All Australian States and Territories currently exempt the transfer of shares quoted on a recognised stock exchange from stamp duty. Therefore, no stamp duty should be payable on the transfer of Mercantile Shares pursuant to the Offer for so long as Mercantile remains listed. If Mercantile is removed from the Official List of ASX, stamp duty may be payable on a transfer of Mercantile Shares by the transferee.

11.5. GST

No GST should generally be payable on the transfer of Mercantile Shares, with the exception of any GST payable on any brokerage charged by your Controlling Participant for carrying out your instructions.

12. Other Material Information

12.1. Related party arrangements

The Directors are entitled to receive the following benefits:

- (a) the maximum total remuneration of the non-executive Directors of SNC has been set at \$85,000 per annum to be divided amongst them in such proportions as they agree. See Section 3.13 for further details;
- (b) SNC has entered into director protection deeds with each of its directors on standard terms. Under these documents, SNC has agreed to:
 - (i) provide access to board papers and minutes to current and former Directors of SNC while they are SNC Directors and for a period of 7 years from when they cease to be Directors;
 - (ii) indemnify, to the extent permitted by the Corporations Act, each Director in respect of certain liabilities, which the Director may incur as a result of, or by reason of (whether solely or in part), being or acting as a Director of SNC;
 - (iii) maintain in favour of each Director a directors' and officers' policy of insurance for the period that he or she is a Director and for a period of 7 years after the officer ceases to be a Director;
- (c) SNC is party to an investment management agreement with the Investment Manager, an entity controlled by Gabriel Radzynski (a Director) as outlined in Section 3.3 above; and
- (d) an entity controlled by Gabriel Radzynski (a Director), is a shareholder in Mercantile. If the Offer becomes unconditional and he accepts the Offer, this entity will be issued SNC Shares in accordance with the terms of the Offer.

12.2. Legal proceedings

SNC is not and has not been, during the 12 months preceding the date of this Bidder's Statement, involved in any legal or arbitration proceedings which have had a significant effect on the financial position on SNC. As far as the SNC Directors are aware, no such proceedings are threatened against SNC.

12.3. Consideration provided for Mercantile Shares during previous 4 months

SNC acquired 52,980,782 Mercantile Shares from Siblow on 14 June 2019 (pursuant to an agreement entered into on 31 May 2019). SNC issued 10,823,974 SNC Shares to Siblow as consideration for this acquisition.

Other than as above, neither SNC nor any Associate of SNC has provided (or agreed to provide) consideration for a Mercantile Share under a purchase or other agreement during the 4 months before the date of this Bidder's Statement and the date of the Offer.

12.4. Valuation of Offer Consideration for the purpose of the minimum bid price rule

SNC may rely on the provisions of ASIC Corporations (Minimum Bid Price) Instrument 2015/1068. That Instrument provides relief from the requirement in section 621(4) of the Corporations Act and allows a bidder up to five Business Days before the date of the takeover bid to value quoted securities that it is offering as part of its bid consideration, for the purpose of determining whether the value of SNC's bid consideration at least equals the maximum value of consideration paid by SNC for Mercantile Shares in the four months prior to the date of the Offer.

Relying on that relief, SNC may value SNC Shares to be provided under the Offer at any time nominated by SNC (**Valuation Time**) within the 5 Business Days before the date of the Offer. The

valuation is determined by calculating the VWAP of SNC Shares in the ordinary course of trading on the ASX during two full trading days before the Valuation Time.

Under section 621(4A) (as inserted in the Corporations Act by ASIC Corporations (Minimum Bid Price) Instrument 2015/1068) the following information is provided in relation to the valuation of the Offer Consideration:

- (a) valuation of SNC Shares under section 621(4A): \$0.8383 per SNC Share; and
- (b) trading days on which valuation is based: 26 July 2019 and 29 July 2019.

The value of the Offer Consideration per Mercantile Share for the purposes of section 621 of the Corporations Act using this valuation is therefore \$0.17126469.

This value exceeds the maximum value of consideration paid by SNC for Mercantile Shares in the four months prior to the date of Offer. For these purposes, the following information is provided in relation to the valuation of the consideration paid for the only acquisition of Mercantile Shares in the 4 months prior to the date of the Offer (as outlined in Section 12.3):

- (a) valuation of SNC Shares under section 621(4A): \$0.8320 per SNC Share; and
- (b) trading days on which valuation is based: 30 May 2019 and 31 May 2019.

The value of the relevant consideration per Mercantile Share for the purposes of section 621 of the Corporations Act using this valuation is therefore \$0.1699776.

12.5. No collateral benefits

Neither SNC nor any Associate of SNC has given, or offered or agreed to give, a benefit to another person in the 4 months prior to the date of this Bidder's Statement and the date of the Offer, likely to induce the other person, or an Associate, to:

- (a) accept the Offer; or
- (b) dispose of Mercantile Shares,

which benefit was not offered to all Mercantile Shareholders under the Offer.

12.6. No escalation agreements

Neither SNC nor any Associate of SNC has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

12.7. ASX listing of New SNC Shares

SNC will apply for official quotation on the ASX of new SNC Shares to be issued under the Offer within 7 days of the date of this Bidder's Statement.

Quotation on the ASX will not be automatic but will depend on the ASX exercising its discretion. SNC has already been admitted to the Official List of the ASX and shares in SNC of the same class as those to be issued under the Offers are already quoted on the ASX. However, SNC cannot guarantee, and does not represent or imply, that the new SNC Shares will be quoted or listed on ASX.

12.8. Disclosure of interests and benefits

- (a) Interested Person

For the purposes of this Section 12.8 an **Interested Person** is:

- (i) a SNC Director or proposed director of SNC;

- (ii) a person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with preparing or distributing this Bidder's Statement;
- (iii) a promoter of SNC; or
- (iv) a broker or underwriter to the issue of SNC Shares.

(b) Interests

Except as disclosed in this Bidder's Statement no Interested Person holds or held at any time during the two years before the date of this Bidder's Statement any interest in:

- (i) forming or promoting SNC;
- (ii) property acquired or proposed to be acquired by SNC in connection with:
 - (A) forming or promoting SNC; or
 - (B) the offer of SNC Shares; or
- (iii) the offer of SNC Shares.

(c) Benefits

Except as disclosed in this Bidder's Statement no one has paid or agreed to pay fees or given or agreed to give any benefit to:

- (i) a SNC Director or proposed director of SNC to induce that person to become or qualify as a SNC Director; or
- (ii) any Interested Person for services provided by that person in connection with:
 - (A) forming or promoting SNC; or
 - (B) the offer of SNC Shares under the Offer.

12.9. Disclosure of adviser interests

Watson Mangioni has acted as solicitors to the Offer. SNC estimates that it will pay amounts totalling \$140,000 (excluding disbursements and GST) to Watson Mangioni in respect of this work.

12.10. Consents

Watson Mangioni Lawyers Pty Limited has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as solicitors to the Offer in the form and context in which it is named.

Link Market Services Limited has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named as share registry of SNC in the form and context in which it is named.

Each of Watson Mangioni Lawyers Pty Limited and Link Market Services Limited:

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified as in this Section;

- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

12.11. Date for determining holders of Mercantile Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 19 July 2019.

12.12. Potential for waiver of Conditions

The Offer is subject to the Conditions set out in Section 13.8. Under the terms of the Offer and the Corporations Act, any or all of those Conditions may be waived by SNC.

If an event occurs which results (or would result) in the non-fulfilment of a Condition, SNC might not make a decision as to whether it will either rely on that non-fulfilment, or instead waive the Condition, until the date for giving notice as to the status of the Conditions of the Offer under section 630(3) of the Corporations Act.

If SNC decides that it will waive a Condition, it will announce that decision to ASX in accordance with section 650F of the Corporations Act. If any of the Conditions are not fulfilled, and SNC decides to rely on the non-fulfilment, then any contract resulting from acceptance of the Offer will become void at (or, in some cases, shortly after) the end of the Offer Period, and the relevant Mercantile Shares will be returned to the holder.

12.13. Status and effect of other Conditions

As at the date of this Bidder's Statement, SNC is not aware of any events or circumstances which would result in the non-fulfilment of any of the Conditions in Section 13.

12.14. ASIC modifications and exemptions

ASIC has published various other Class Order instruments providing for modifications and exemptions that apply generally to all persons, including SNC.

12.15. Expiry date

No securities will be issued on the basis of this Bidder's Statement after the date which is 13 months after the date of this Bidder's Statement.

12.16. Other material information

There is no other information material to the making of a decision by an offeree whether or not to accept an Offer (being information that is known to SNC and has not previously been disclosed to the holders of Mercantile Shares) other than as disclosed in this Bidder's Statement.

13. The Terms of the Offer

13.1. SNC's Offer

- (a) SNC offers to acquire your Mercantile Shares on the terms and conditions of this Offer. You may accept this Offer in respect of all of your Mercantile Shares.
- (b) The consideration being offered by SNC is 0.2043 SNC Shares for every 1 Mercantile Share.
- (c) If you accept this Offer and SNC acquires your Mercantile Shares, SNC is also entitled to any Rights in respect of your Mercantile Shares.
- (d) The SNC Shares to be issued under the Offer will be issued fully paid and will rank equally in all respect with all other SNC Shares currently on issue.
- (e) If you accept the Offer and are entitled to receive a fraction of a SNC Share, the number of SNC Shares you are entitled to under this Offer is rounded up to the next whole number of SNC Shares if it is 0.5 or more, and rounded down to the nearest whole number if it is less than 0.5. If you are entitled to a fraction of a cent, that fraction is rounded to the nearest cent on the same basis. If SNC reasonably believes that you have manipulated your holding of Mercantile Shares to take advantage of rounding up, then any fractional entitlement is aggregated or rounded down to the next whole number of SNC Shares.

13.2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on the date of this Offer and ending at 7:00pm on 2 September 2019 Sydney time, subject to any extension of that period in accordance with the Corporations Act.

13.3. Who may accept

- (a) An offer in the form of this Offer is being made to:
 - (i) each holder of Mercantile Shares registered, or entitled to be registered, in the register of members of Mercantile at 7:00pm Sydney time on 19 July 2019; and
 - (ii) each other holder of Mercantile Shares who becomes so registered before the end of the Offer Period.
- (b) If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of, or entitled to be registered as the holder of, some or all of your Mercantile Shares (**transferred shares**), SNC is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
 - (i) to the other person, relating to the transferred shares; and
 - (ii) to you, relating to your Mercantile Shares other than the transferred shares (if any).
- (c) If at any time during the Offer Period and before this Offer is accepted, you hold your Mercantile Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of section 653B of the Corporations Act:
 - (i) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your Mercantile Shares;
 - (ii) to accept any of those corresponding Offers, you must specify:
 - (A) by written notice accompanying your Acceptance Form; or

- (B) if the notice relates to Mercantile Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,

that your Mercantile Shares consist of distinct portions and the number of the Mercantile Shares to which the acceptance relates; and

- (iii) otherwise, section 653B of the Corporations Act applies to this Offer in respect of your Mercantile Shares and any acceptance of this Offer by you.

13.4. Official quotation of New SNC Shares

- (a) SNC has been admitted to the official list of the ASX. Securities of the same class as those to be issued as Offer Consideration have been granted official quotation by the ASX.
- (b) This Offer and any contract that results from your acceptance of this Offer are subject to a condition that:
 - (i) SNC applies to the ASX within 7 days after this Bidder's Statement is given to Mercantile, for the admission of the New SNC Shares to official quotation; and
 - (ii) permission for admission to official quotation by ASX of SNC Shares to be issued under the Offers which are accepted, is granted no later than 7 days after the end of the Offer Period.
- (c) The condition in Section 13.4(b) of this Offer is required by section 625(3) of the Corporations Act, is not a defeating condition for the purposes of the Corporations Act, and is not of the same nature as the Conditions set out in Section 13.8(a) of this Offer. Section 625(3) of the Corporations Act provides that this Offer cannot be freed of the condition prescribed in that section, and consequently no statement made by SNC can be taken to be a waiver of that condition. If this condition is not fulfilled all contracts resulting from acceptance of the Offer will be void automatically.
- (d) Official quotation of securities by the ASX is not granted automatically on application. However, SNC has no reason to believe that the New SNC Shares will not be admitted to quotation by the ASX.

13.5. How to accept this Offer

- (a) You may only accept this Offer in respect of all of your Mercantile Shares.
- (b) You may only accept this Offer during the Offer Period.
- (c) If your Mercantile Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- (d) To accept this Offer, you should proceed as follows:
 - (i) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and return it (together with any documents required by the instructions on it), so that the envelope in which they are sent is received by SNC in accordance with the Acceptance Form before the end of the Offer Period; or
 - (ii) if your Mercantile Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:
 - (A) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or

- (B) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

13.6. Effect of acceptance

- (a) By accepting the Offer in accordance with Section 13.5, you will have:
- (i) accepted this Offer in respect of all of your Mercantile Shares;
 - (ii) agreed to transfer your Mercantile Shares to SNC (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
 - (iii) represented and warranted to SNC that your Mercantile Shares will at the time of acceptance of this Offer and at the time of their transfer to SNC be fully paid up and that SNC will acquire good title to and beneficial ownership of your Mercantile Shares free from all Encumbrances and other adverse third party interests of any kind;
 - (iv) unless Section 13.7(c) applies to you, irrevocably authorised SNC to issue to you the SNC Shares you are entitled to receive under this Offer and to enter (or to cause the entry of) your name and address (as shown in the register of members of SNC last notified to SNC by Mercantile) in the register of members of SNC of in respect of those SNC Shares, and agreed to be bound by the constitution of SNC;
 - (v) agreed that, if you are an Foreign Ineligible Shareholder, or if SNC believes that you are an Foreign Ineligible Shareholder, Section 13.7(c) applies to you;
 - (vi) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed SNC and each of its directors, secretaries and officers severally as your attorney to do all things which you could lawfully do in relation to your Mercantile Shares or in exercise of any right derived from the holding of such Mercantile Shares, including without limitation:
 - (A) attending and voting at any general meeting of Mercantile;
 - (B) notifying Mercantile that your address in the records of Mercantile for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by SNC; and
 - (C) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of SNC as the registered holder of your Mercantile Shares.

SNC must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Section 13.6(a)(vi);
 - (vii) agreed that in exercising the powers conferred by the power of attorney under Section 13.6(a)(vi) the attorney may act in the interests of SNC as the intended registered holder and beneficial holder of those Mercantile Shares;
 - (viii) after the Offer or the contract resulting from your acceptance of the Offer becomes unconditional, agreed not to attend or vote in person at any general meeting of Mercantile or to exercise or purport to exercise any of the powers conferred on an attorney under Section 13.6(a)(vi);
 - (ix) represented and warranted to SNC that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;

- (x) agreed to indemnify SNC and Mercantile fully in respect of any claim, demand, action, suit or proceeding made or brought against Mercantile and any loss, expense, damage or liability whatsoever suffered or incurred by SNC or Mercantile or both SNC and Mercantile, in each case as a result of any representation or warranty made by you not being true;
 - (xi) irrevocably authorised and directed Mercantile to pay to SNC or to account to SNC for all dividends and other distributions and entitlements which are declared, paid or made or which arise or accrue after the Announcement Date in respect of the Mercantile Shares which SNC acquires pursuant to this Offer, subject if your acceptance of this Offer is validly withdrawn pursuant to section 650E of the Corporations Act or the contract resulting from that acceptance becomes void, to SNC accounting to you for any such dividends, distributions and entitlements received by it; and
 - (xii) represented and warranted to SNC that, unless you have notified SNC in writing otherwise, your Mercantile Shares do not consist of separate parcels of Mercantile Shares.
- (b) By completing, signing and returning the Acceptance Form, you will also have:
- (i) authorised SNC and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
 - (A) to make the Acceptance Form an effectual acceptance of this Offer; and
 - (B) to enable registration of the transfer to SNC of your Mercantile Shares; and
 - (ii) authorised SNC and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.
- (c) SNC may at any time in its absolute discretion:
- (i) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the requirements for a valid acceptance have not been complied with; and
 - (ii) where you have satisfied the requirements for acceptance in respect of only some of your Mercantile Shares, treat the acceptance as a valid acceptance only in respect of those Mercantile Shares.

In respect of any part of an acceptance treated by SNC as valid, SNC must provide you with the relevant consideration in accordance with Section 13.7.

13.7. Consideration for your Mercantile Shares

- (a) If you are not a Foreign Ineligible Shareholder, the obligation of SNC to issue and allot any SNC Shares to which you are entitled as Offer Consideration under the Offer will be satisfied by SNC:
 - (i) entering your name on SNC share register; and
 - (ii) dispatching or procuring the dispatch to you an uncertificated holding statement in your name (for Issuer Sponsored Holdings) or a confirmation of issue (for CHES Holdings) by pre-paid ordinary mail or, in the case of addresses outside Australia, by pre-paid airmail, to your address as shown on the register (or such other address as you may notify in writing to SNC).

If your Mercantile Shares are held in a joint name, an uncertificated holding statement or a confirmation of issue will be issued in the name of the joint holders.

- (b) If you are not a Foreign Ineligible Shareholder, subject to Section 13.7(d) of this Offer, if the contract resulting from your acceptance of this Offer becomes unconditional, SNC will provide the Offer Consideration to which you are entitled on acceptance of this Offer on or before the earlier of:
- (i) 1 month after the date this Offer is validly accepted by you or, if this Offer is subject to a Condition when accepted, within 1 month after this Offer or the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period.
- (c) If you accept the Offer and you are a Foreign Ineligible Shareholder, in respect of any SNC Shares which you would have otherwise become entitled to receive under Section 13.7(b) of this Offer, SNC will:
- (i) arrange for the issue to a nominee approved by ASIC (**Nominee**) of the number of SNC Shares to which you and all other Foreign Ineligible Shareholders would have become entitled to receive as part of the Offer Consideration as a result of acceptance of the Offer but for this Section 13.7(c) and the equivalent Section in each other offer under the Offer (**Nominee Shares**);
 - (ii) cause the Nominee to offer for sale the Nominee Shares on ASX or another relevant financial market licensed under section 795B of the Corporations Act through which retail clients may trade securities as soon as practicable and otherwise in such manner, at such price and on such other terms and conditions as are determined by the Nominee;
 - (iii) cause the Nominee to pay to you the amount calculated in accordance with the following formula:

$$\frac{\text{Net Proceeds of Sale x Your SNC Share}}{\text{Total Nominee Shares}}$$

where:

Net Proceeds of Sale is the amount the Nominee receives on sale of all Nominee Shares less tax, brokerage and other sale expenses;

Your SNC Shares is the number of SNC Shares which SNC would, but for this Section 13.7(c), have been issued to you under the Offer; and

Total Nominee Shares is the total number of Nominee Shares issued to the Nominee under Section 13.7(c)(i) and the equivalent provision in each other offer under the Offer;

and:

- (iv) payment of the amounts calculated in accordance with Section 13.7(c)(iii) will be made by cheque drawn in Australian currency in your favour. The cheque will be sent at your risk by pre-paid airmail to the address provided on your Acceptance Form. Under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you;
- (v) you irrevocably appoint SNC as your agent to receive any notice, including a Financial Services Guide (if any) (and any update of any such notice or document), that the Nominee and/or its broker may provide under the Corporations Act and you acknowledge and agree that any such notice or document will be made available by

SNC on SNC's website (<https://www.sandoncapital.com.au/listed-investment-company>);

- (vi) as the market price of SNC Shares will be subject to change from time to time, the sale price of the SNC Shares sold by the Nominee and the proceeds of those sales cannot be guaranteed. None of SNC or the Nominee gives any assurance as to the price that will be achieved for the sale of the SNC Shares by the Nominee; and
- (vii) the Nominee will be appointed by, and will provide the Nominee services to, SNC. In acting as Nominee, the Nominee will not be acting as agent or subagent of any Foreign Ineligible Shareholder, does not have duties or obligations (fiduciary or otherwise) to any Foreign Ineligible Shareholder and does not underwrite the sale of the SNC Shares.

Notwithstanding anything else in the Bidder's Statement, SNC is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Ineligible Shareholders to receive SNC Shares or any amounts as set out in this Section 13.7(c).

- (d) Where the Acceptance Form or any subsequent request from SNC requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by SNC to give better effect to your acceptance):
 - (i) if the documents are given with your acceptance, SNC will provide the Offer Consideration in accordance with Section 13.7(b) or 13.7(c) of this Offer;
 - (ii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a Condition at the time that SNC is given the documents, SNC will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (A) 1 month after the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (B) 21 days after the end of the Offer Period; or
 - (iii) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that SNC is given the documents, SNC will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (A) 1 month after SNC is given the documents; and
 - (B) 21 days after the end of the Offer Period; or
 - (iv) if the documents are given after the end of the Offer Period, SNC will provide the Offer Consideration within 21 days after the documents are given.

If you do not provide SNC with the required additional documents within 1 month after the end of the Offer Period, SNC may, in its sole discretion, rescind the contract resulting from your acceptance of this Offer.

- (e) If SNC becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give SNC all documents necessary to vest those Rights in SNC or otherwise to give SNC the benefit or value of those Rights. If you do not give those documents to SNC, or if you have received the benefit of those Rights, then SNC may reduce the number of New SNC Shares to which you are otherwise entitled under this Offer by the amount equal to the value, (as reasonably assessed by SNC), of those Rights in accordance with Section 13.7(f) of this Offer.

- (f) If:
- (i) you have (or any previous holder of your Mercantile Shares has) received the benefit of any Rights (whether in respect of non-cash benefits or otherwise); or
 - (ii) you are (or any previous holder of your Mercantile Shares is) entitled to receive the benefit of any Rights under the terms that provide for or otherwise apply to those Rights (for example, if the Right is to receive a dividend, if you are (or any previous holder of your Mercantile Shares is) the registered holder of the share at the specified time for determining those entitled to the dividend); or
 - (iii) your Mercantile Shares were issued (or otherwise came into existence) on or after the record date in respect of any Rights to Mercantile Shareholders,

then SNC may reduce the number of New SNC Shares to be issued to you under this Offer by the value (as reasonably assessed by SNC) of such Rights. If SNC does not, or cannot, make such a reduction, you must pay such value or amount to SNC.

- (g) If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom any of the following apply:
- (i) Autonomous Sanctions Regulations 2011 (Cth);
 - (ii) Part 4 of the Charter of the United Nations Act 1945 (Cth), Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth) or any other regulations made thereunder or otherwise; or
 - (iii) any other law of Australia,

then acceptance of this Offer will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained.

- (h) If any amount (the **withholding amount**) is required, under any Australian law or by any Governmental Agency, to be:
- (i) withheld from any consideration otherwise due to you under this Offer and paid or provided to a Governmental Agency; or
 - (ii) retained by SNC out of any consideration otherwise due to you under this Offer,

the payment, provision or retention by SNC of the withholding amount (as applicable) will constitute full discharge of SNC's obligation to provide the consideration to you to the extent of the withholding amount.

13.8. Conditions of this Offer

- (a) This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following conditions:
- (i) **SNC Shareholder approval:** SNC Shareholders in general meeting pass all resolutions (including under the Listing Rules) necessary to permit SNC to complete the acquisition of all Mercantile Shares under the Offer;
 - (ii) **minimum acceptance condition:** during, or at the end of the Offer Period, SNC has Relevant Interests in at least 80% of the Mercantile Shares;
 - (iii) **repayment of revolving credit facility:** Mercantile either:

- (A) procures that all indebtedness owed by Mercantile or any subsidiary of it to each Relevant Lender is discharged and extinguished in full and announces on ASX that it has done so on or before 30 June 2019; or
 - (B) announces that the due date for payment of all indebtedness owed by Mercantile or any subsidiary of it to each Relevant Lender has been extended to 31 December 2019 or a later date and that the Relevant Lender has undertaken not to take any action to demand repayment of that debt prior to 31 December 2019;
- (iv) **no early redemption of Mercantile Notes:** between the Announcement Date and the end of the Offer Period (each inclusive), Mercantile does not:
- (A) exercise its right to redeem any Mercantile Notes in accordance with clause 6.7 of the Mercantile Note Terms; or
 - (B) repurchase any Mercantile Notes in accordance with clause 6.8 of the Mercantile Note Terms;
- (v) **no change in management arrangements:** between the Announcement Date and the end of the Offer Period (each inclusive), no Service Agreement is terminated, amended or assigned, Mercantile does not grant any person any rights to manage Mercantile or any of its assets, and no proposal to terminate, amend or assign any Service Agreement or grant any rights to manage Mercantile or any of its assets is made (in each case, other than by or to SNC or its Associates);
- (vi) **no fall in Announced NTA:** the Announced NTA of Mercantile not declining by 10% or more below the Bid NTA of Mercantile;
- (vii) **no change in NTA calculation methodology:** each of the Bid NTA and each Announced NTA is calculated in accordance with the same principles, policies and practices adopted by Mercantile in calculating the NTA of Mercantile as at 30 April 2019 as reported on ASX by Mercantile on 10 May 2019;
- (viii) **no regulatory intervention:** during the period from the Announcement Date to the end of the Offer Period (each inclusive):
- (A) no preliminary or final decision, order or decree is made or issued;
 - (B) no action, proceeding or investigation is announced, commenced or threatened; and
 - (C) no application is made (other than by SNC or its Associates),
by or to any regulatory organisation or Governmental Agency which is likely to or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the Mercantile Shares by SNC, the rights of SNC in respect of Mercantile and the Mercantile Shares or the continued operation of the businesses of Mercantile or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act);
- (ix) **no prescribed occurrences:** during the period from the date on which the Bidder's Statement is given to Mercantile and the end of the Offer Period (each inclusive), none of the following events occur:
- (A) Mercantile converts all or any of its shares into a larger or smaller number of shares;
 - (B) Mercantile or a subsidiary of Mercantile resolves to reduce its share capital in any way;

- (C) Mercantile or a subsidiary of Mercantile:
 - (1) enters into a buy-back agreement; or
 - (2) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
 - (D) Mercantile or a subsidiary of Mercantile issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (E) Mercantile or a subsidiary of Mercantile issues, or agrees to issue, convertible notes;
 - (F) Mercantile or a subsidiary of Mercantile disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
 - (G) Mercantile or a subsidiary grants, or agrees to grant, a security interest over the whole or a substantial part of its business or property;
 - (H) Mercantile or a subsidiary resolves to be wound up; or
 - (I) Mercantile makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); and
- (x) **no prescribed occurrences between Announcement Date and date of Bidder's Statement:** during the period beginning on the Announcement Date and ending on the day before the Bidder's Statement is given to Mercantile (each inclusive), none of the events listed in sub-paragraphs (A) to (I) of Section 13.8(a)(ix) occur.
- (b) Each of the Conditions set out in Section 13.8(a) and each sub-Section, sub-sub-Section and sub-sub-sub-Section of Section 13.8(a):
- (i) is and must be construed as a separate condition; and
 - (ii) subject to the Corporations Act, operates only for the benefit of SNC and any breach or non-fulfilment of such condition may be relied upon only by SNC which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.
- (c) None of the Conditions prevents a contract to sell your Mercantile Shares resulting from your acceptance of this Offer but:
- (i) breach of any of the Conditions entitles SNC to rescind that contract by notice to you; and
 - (ii) non-fulfilment of any of the Conditions at the end of the Offer Period will have the consequences set out in Section 13.8(g).
- (d) Where an event occurs that would mean at the time the event occurs a Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each Condition affected by that event becomes two separate Conditions on identical terms except that:
- (i) one of them relates solely to that event; and
 - (ii) the other specifically excludes that event.

SNC may declare the Offer free under Section 13.8(e) from either of those Conditions without declaring it free from the other and may do so at different times. This Section may apply any

number of times to a particular Condition (including a Condition arising from a previous operation of this Section).

- (e) Subject to the Corporations Act, SNC may declare this Offer and any contract resulting from acceptance of this Offer free from any of the Conditions by giving written notice to Mercantile:
 - (i) in the case of the Conditions in Section 13.8(a)(ix), not later than 3 business days after the end of the Offer Period; and
 - (ii) in the case of all other Conditions, not less than 7 days before the last day of the Offer Period.
- (f) The date for giving the notice on the status of the Conditions as required by section 630(1) of the Corporations Act is 26 August 2019 (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- (g) Your acceptance or the contract resulting from your acceptance of this Offer is void if:
 - (i) at the end of the Offer Period any of the Conditions in Section 13.8(a) is not fulfilled; and
 - (ii) SNC has not declared this Offer and any contract resulting from the acceptance of it free of that Condition in accordance with Section 13.8(e).

13.9. Withdrawal of Offers

- (a) This Offer, if not previously accepted, may be withdrawn by SNC, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from SNC given to Mercantile.
- (c) Subject to any conditions imposed by ASIC on its consent, where SNC withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

13.10. Variation

SNC may vary this Offer in accordance with the Corporations Act.

13.11. SNC's Relevant Interests

At the date of this Offer, there are 280,700,000 Mercantile Shares, 223,087 Mercantile Notes and 50,000,000 Mercantile Options on issue. As at the date of this Bidder's Statement and at the date of the Offer, SNC has a Relevant Interest in 52,980,782 Mercantile Shares.

13.12. Stamp duty

SNC must pay all stamp duty payable on the transfer of your Mercantile Shares to it if you accept this Offer.

This Offer is dated 1 August 2019.

14. Glossary

14.1. Definitions

The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires. These terms are used throughout this Bidder's Statement.

\$	Australian Dollars.
Acceptance Form	The acceptance form for the Offer accompanying this Bidder's Statement.
Announced NTA	the NTA of Mercantile as at any date as reported by Mercantile on ASX in accordance with Listing Rule 4.12.
Announcement Date	the date on which the Offer was announced to ASX, namely 3 June 2019.
ASIC	Australian Securities and Investments Commission.
Associate	has the same meaning given to that term in section 12 of the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) or the market it administers being Australian Securities Exchange (as the context requires).
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532).
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement.
Bid NTA	in respect of Mercantile or SNC, means the NTA of Mercantile or SNC (as applicable) as at 31 May 2019 as reported on ASX by Mercantile or SNC (as applicable) in June 2019 in accordance with Listing Rule 4.12.
Bidder's Statement	this document, being the statement made by SNC under Part 6.5 Division 2 of the Corporations Act.
Broker	a person who is a share broker and participant in CHESS.
Board	the board of Directors of SNC.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
Cash Benchmark	the 1 month BBSW.
CGT	capital gains tax.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement which provides for the electronic transfer, settlement and registration of securities.
CHESS Holding	a holding of Mercantile Shares on the CHESS subregister of Mercantile.
Condition	each condition set out in Section 13.8(a).

Control	has the meaning set out in the Corporations Act.
controlled entity	an entity under the Control of another entity
Controlling Participant	has the meaning given in the ASX Settlement Operating Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Director	a director of SNC.
Encumbrance	<p>(a) a mortgage, charge, pledge, lien, hypothecation or a title retention arrangement;</p> <p>(b) a notice under section 255 of the Income Tax Assessment Act 1936 (Cth), subdivision 260-A in schedule 1 to the Taxation Administration Act 1953 (Cth) or any similar legislation;</p> <p>(c) any other interest in or right over property (including a right to set off or withhold payment of a deposit or other money);</p> <p>(d) any other thing that prevents, restricts or delays the exercise of a right over property, the use of property or the registration of an interest in or dealing with property; or</p> <p>(e) an agreement to create anything referred to above or to allow any of them to exist.</p>
Foreign Law	a law of any jurisdiction other than an Australian jurisdiction.
Foreign Ineligible Shareholder	a person whose address as shown in the register of members of Mercantile is in a jurisdiction other than Australia and its external territories or New Zealand, unless SNC determines otherwise, being satisfied by the law of that jurisdiction that it is lawful and not onerous to make the Offer to that person and to issue them with SNC Shares and that it is lawful for that person to accept the Offer.
Governmental Agency	any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
GST	goods and services tax.
Independent Directors	Peter Velez and Melinda Snowden.
Investment Manager	Sandon Capital Pty Ltd (ACN 130 853 691)
LIC	listed investment company.
Listing Rules	the listing rules of the ASX.
Mercantile	Mercantile Investment Company Limited (ACN 121 415 576).
Mercantile Group	Mercantile and its controlled entities.
Mercantile Note Terms	the terms of issue of the Mercantile Notes.
Mercantile Notes	the unsecured notes issued by Mercantile quoted on ASX with ASX code "MVTHA".

Mercantile Options	the unquoted options issued by Mercantile on 7 October 2016, 12 December 2017 and 23 November 2018 and expiring on 31 December 2020, 31 December 2021 and 31 December 2022.
Mercantile Shareholder	a registered holder of Mercantile Shares.
Mercantile Shares	shares in the capital of Mercantile.
Mercantile Stake	the 52,980,782 Mercantile Shares acquired by SNC on 14 June 2019 from Siblow Pty Limited, an entity controlled by Sir Ron Brierley, a director of Mercantile.
Merged Group	the Mercantile and SNC businesses, assumes that Mercantile is a wholly owned subsidiary of SNC. This will occur in circumstances where SNC receives acceptances of not less than 90% of Mercantile Shares under the Offer and moves to compulsorily acquire the balance of Mercantile Shares outstanding.
New SNC Shares	the SNC Shares to be issued as Offer Consideration.
NTA	the unaudited pre-tax net tangible asset backing per share as at a particular date.
Offer	the offer as set out in Section 13 of this Bidder's Statement (or, if the context so requires, Section 13 of this Bidder's Statement itself) and includes a reference to that offer as varied in accordance with the Corporations Act.
Offer Consideration	0.2043 SNC Shares for every 1 Mercantile Share.
Offer Period	the period for which the Offer remains open as set out in Section 13.2.
Offers	the Offer and each of the other offers made in the same terms for Mercantile Shares and includes a reference to those offers as varied in accordance with the Corporations Act.
Official List	the official list of entities that ASX has admitted and not removed.
Official Quotation	official quotation of a security on a market operated by ASX.
Option Acquisition	the acquisition of the Mercantile Options as defined in Section 6.7.
Prescribed Occurrence	<ul style="list-style-type: none"> (a) Mercantile converts all or any of its shares into a larger or smaller number of shares; (b) Mercantile or a subsidiary of Mercantile resolves to reduce its share capital in any way; (c) Mercantile or a subsidiary of Mercantile: <ul style="list-style-type: none"> (i) enters into a buy-back agreement; or (ii) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act; (d) Mercantile or a subsidiary of Mercantile issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;

- (e) Mercantile or a subsidiary of Mercantile issues, or agrees to issue, convertible notes;
- (f) Mercantile or a subsidiary of Mercantile disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
- (g) Mercantile or a subsidiary grants, or agrees to grant, a security interest over the whole or a substantial part of its business or property;
- (h) Mercantile or a subsidiary resolves to be wound up; or
- (i) Mercantile makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie).

Relevant Interest	has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
Relevant Lender	each of Sir Ron Brierley and any person connection with or associated with Sir Ron Brierley whom is owed money by the Mercantile Group.
Rights	all accretions, rights or benefits of whatever kind attaching to or arising from Mercantile Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock shares, notes, bonds, options or other securities, declared, paid or issued by Mercantile or any of its controlled entities.
Sandon Capital	the Investment Manager.
Siblow	Siblow Pty Limited (ACN 003 602 417), an entity controlled by Sir Ron Brierley.
SNC	Sandon Capital Investments Limited (ACN 107 772 467).
SNC Shareholder	a registered holder of SNC Shares.
SNC Shares	ordinary shares in the capital of SNC.
Security	has the meaning as given in section 92 of the Corporations Act.
Service Agreements	the agreements between Mercantile and Sandon Capital under which the Sandon Capital provides general management and accounting services to Mercantile.
Takeovers Panel	the Australian Government Takeovers Panel.
Third Party	a person other than SNC or its representatives.
Trading Day	has the meaning given in the ASX Listing Rules.
Voting Power	has the same meaning given to that term in section 610 of the Corporations Act.
VWAP	the volume weighted average price at which shares trade on ASX and the Chi-X market in the relevant period, excluding block trades,

large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded option exercises.

14.2. Interpretation

In this Bidder's Statement, unless the context requires otherwise:

- (a) a reference to a word includes the singular and the plural of the word and vice versa;
- (b) a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- (c) a reference to a gender includes any gender;
- (d) a reference to an item in a Section, Schedule, Annexure or Appendix is a reference to an item in the section of or schedule, annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any annexures;
- (e) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;
- (f) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a Governmental Agency;
- (g) headings are included for convenience only and do not affect interpretation;
- (h) a reference to a document or agreement including this Bidder's Statement, includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- (i) a reference to a thing includes a part of that thing and includes but is not limited to a right;
- (j) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;
- (k) a reference to a statute or statutory provision includes but is not limited to:
 - (i) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;
 - (ii) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and
 - (iii) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument;
- (l) reference to "\$", "A\$", "Australian Dollars" or "dollars" is a reference to the lawful tender for the time being and from time to time of the Commonwealth of Australia;
- (m) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

Approval of Bidder's Statement

This Bidder's Statement has been approved by a unanimous resolution of the directors of SNC.

Dated 18 July 2019

Signed

For and on behalf of SNC

A handwritten signature in black ink, appearing to read "Melinda Snowden", written in a cursive style.

**Melinda Snowden
Independent Director**

Appendix A

SNC ASX Announcements

Date	Announcement
16/07/2019	MVT: SNC takeover offer update
12/07/2019	Net Tangible Assets as at 30 June 2019
09/07/2019	Notice of General Meeting/Proxy Form
28/06/2019	Notice of ceasing to be a substantial holder
25/06/2019	Initial Director's Interest Notice - Sir Ron Brierley
25/06/2019	Appointment of Director
24/06/2019	Sandon to acquire Mercantile options
20/06/2019	MVT: Sandon proposed takeover offer - update
20/06/2019	Siblow indicates intention to accept MVT takeover offer
18/06/2019	Notice of initial substantial holder from Siblow
17/06/2019	Cleansing Notice
17/06/2019	Appendix 3B
17/06/2019	Sandon issue to Siblow - LR 7.1A information
17/06/2019	SNC completes acquisition of MVT stake - sets exchange ratio
13/06/2019	Net Tangible Assets as at 31 May 2019
06/06/2019	MVT: Chairman's intention to retire
03/06/2019	MVT: Intention to make takeover offer received from SNC
03/06/2019	Intention to make takeover offer for MVT
03/06/2019	Acquisition of stake in Mercantile Investment Company Ltd
03/06/2019	Trading Halt
03/06/2019	Pause In Trading
14/05/2019	Change of Director's Interest Notice - M Snowden
08/05/2019	Net Tangible Assets as at 30 April 2019
03/05/2019	Change in substantial holding for AGS
24/04/2019	Notice of Initial Substantial Holder for MA1
10/04/2019	Net Tangible Assets as at 31 March 2019
10/04/2019	Notice of Initial Substantial Holder for OMN - correction
10/04/2019	Notice of Initial Substantial Holder for OMN
18/03/2019	Shareholder Presentation March 2019
13/03/2019	Net Tangible Assets as at 28 February 2019
11/03/2019	Change in substantial holding for IDT
07/03/2019	Shareholder Presentation Invitation March 2019
27/02/2019	Change in substantial holding for CYG
27/02/2019	SNC declares fully franked interim dividend of 3.5cps
27/02/2019	Dividend/Distribution - SNC
27/02/2019	Appendix 4D - Half Year Results - 31 December 2018

12/02/2019	Net Tangible Assets as at 31 January 2019
11/01/2019	Net Tangible Assets as at 31 December 2018
20/12/2018	SNC Disappointed by Alterra failure to engage
19/12/2018	1AG: Response to Sandon NBIO
18/12/2018	Change in substantial holding for 1AG
12/12/2018	Letter to Alterra Shareholders - VOTE AGAINST demerger
11/12/2018	Net Tangible Assets as at 30 November 2018
23/11/2018	Results of Annual General Meeting 2018
22/11/2018	Sandon and Samuel Terry Presentation for APW Wind Up
12/11/2018	Shareholder Presentation November 2018
08/11/2018	Net Tangible Assets as at 31 October 2018
02/11/2018	Change in substantial holding for 1AG
29/10/2018	Change in substantial holding for 1AG
22/10/2018	SNC disappointed by MA1 response to merger proposal
22/10/2018	MA1: rejects costly proposal to liquidate company
22/10/2018	Invitation to Shareholder Presentations November 2018
22/10/2018	Notice of Annual General Meeting/Proxy Form
12/10/2018	MA1Response to the Sandon Capital Investments (SNC) Proposal
12/10/2018	MA1 fails to respond to SNC Merger Proposal
08/10/2018	Net Tangible Assets as at 30 September 2018
13/09/2018	Net Tangible Assets as at 31 August 2018
04/09/2018	Final Director's Interest Notice - M Kidman
04/09/2018	Director Resignation
28/08/2018	Company Secretary Appointment/Resignation
28/08/2018	Appendix 4G and Corporate Governance Statement
28/08/2018	Dividend/Distribution - SNC

Appendix B

Mercantile ASX Announcements

Date	Announcements
16/07/2019	SNC takeover offer update
12/07/2019	Net Tangible Asset (NTA) Value as at 30 June 2019
24/06/2019	SNC: Sandon to acquire Mercantile options
20/06/2019	Sandon proposed takeover offer - update
20/06/2019	SNC: Siblow indicates intention to accept MVT takeover offer
18/06/2019	Change of Director's Interest Notice - Sir Ron Brierley
18/06/2019	Change in substantial holding from Siblow
17/06/2019	SNC: Sandon issue to Siblow - LR 7.1A information
17/06/2019	SNC: completes acquisition of MVT stake- sets exchange ratio
13/06/2019	Interest Payment - MVTHA
13/06/2019	Net Tangible Asset (NTA) Value as at 31 May 2019
06/06/2019	Chairman's intention to retire
03/06/2019	Intention to make takeover offer received from SNC
03/06/2019	SNC: Intention to make takeover offer for MVT
03/06/2019	SNC: Acquisition of stake in Mercantile Investment Co Ltd
03/06/2019	Trading Halt
28/05/2019	Ceasing to be a substantial holder for GIB
27/05/2019	Change in substantial holding for REF
23/05/2019	Change in substantial holding for REF
10/05/2019	Net Tangible Asset (NTA) Value as at 30 April 2019
07/05/2019	Change in substantial holding for REF
03/05/2019	Change in substantial holding for REF
03/05/2019	Transition to New NZX Listing Rules
02/05/2019	Change in substantial holding for REF
30/04/2019	Becoming a substantial holder for REF
12/04/2019	Net Tangible Asset (NTA) Value as at 31 March 2019
02/04/2019	Change of Director's Interest Notice - Mr G Radzynski
27/03/2019	Change in substantial holding for USR
22/03/2019	Change in substantial holding
21/03/2019	Change in substantial holding from Mr Geoff Wilson
13/03/2019	Net Tangible Asset (NTA) Value as at 28 February 2019
01/03/2019	Change in substantial holding for GIB
28/02/2019	Appendix 4D - Half Year Results - 31 December 2018
14/02/2019	Net Tangible Asset (NTA) Value as at 31 January 2019
01/02/2019	Change in substantial holding for USR
11/01/2019	Net Tangible Asset (NTA) Value as at 31 December 2018
21/12/2018	Change of Director's Interest Notice - GR

14/12/2018	Interest Payment - MVTHA
13/12/2018	Net Tangible Asset (NTA) Value as at 30 November 2018
26/11/2018	Change of Director's Interest Notice - GR
23/11/2018	Appendix 3B - Unlisted options
16/11/2018	Change in substantial holding for USR
14/11/2018	Net Tangible Asset (NTA) Value as at 31 October 2018
12/11/2018	Change in substantial holding for USR
07/11/2018	Change in substantial holding for USR
06/11/2018	Change in substantial holding for USR
06/11/2018	Initial Director's Interest Notice - KL
06/11/2018	Appointment of director - Katrina Langley
01/11/2018	Final Director's Interest Notice - R Langley
31/10/2018	Retirement of Director
31/10/2018	Results of Annual General Meeting
26/10/2018	Change of Director's Interest Notice - JC
18/10/2018	YBR: Second Supplementary Target Statement
15/10/2018	MVT OFM offer for YBR Supplementary Bidder's Statement
12/10/2018	Status of conditions notice
12/10/2018	YBR: Supplementary Target Statement
12/10/2018	Net Tangible Asset (NTA) Value as at 30 September 2018
05/10/2018	MVT OFM declares YBR Offer Best and Final
28/09/2018	Annual Report to shareholders
28/09/2018	Notice of 2018 Annual General Meeting/Proxy Form
25/09/2018	Change of Director's Interest Notice - JC
20/09/2018	YBR: Yellow Brick Road Target Statement
20/09/2018	YBR: Service of Target Statement for Off Market Takeover Bid
14/09/2018	MVT: Supplementary Bidders Statement - off-market bid for YB
12/09/2018	Net Tangible Assets as at 31 August 2018
04/09/2018	YBR: Letter to shareholders - Reject MVT's takeover bid
03/09/2018	Change in substantial holding for POZ
31/08/2018	Joint Company Secretary Appointment
31/08/2018	Appendix 4G and Corporate Governance Statement 2018

Appendix C

Siblow Intention Statement

Siblow Pty. Limited
c/- BDO
Level 11, 1 Margaret Street
Sydney NSW 2000

20 June 2019

Sandon Capital Investments Limited
Level 5, 139 Macquarie Street
Sydney NSW 2000

Dear Sirs

Intention to accept proposed takeover offer

On 3 June 2019, Sandon Capital Investments Limited (**Sandon**) publicly announced its intention to make an offer to acquire all of the shares in Mercantile Investment Company Limited (ACN 121 415 576) (**Mercantile**) that it does not own under an off-market takeover bid pursuant to Chapter 6 of the *Corporations Act 2001* (**Offer**).

At the date of this statement, Siblow Pty. Limited (ACN 003 602 417) (**Siblow**) is the beneficial owner of, and has a relevant interest in, 69,430,338 fully paid ordinary shares in Mercantile (**Mercantile Shares**), representing 24.73% of the issued capital of Mercantile.¹

Should Sandon make the Offer within 2 months after its announcement of 3 June 2019, Siblow intends to accept or procure the acceptance of the Offer, within 21 days of the Offer opening, in respect of all Mercantile Shares held by it or in its behalf at that time, in the absence of a superior offer.

Siblow consents to Sandon disclosing this letter and Siblow's intention as outlined in this letter in the bidder's statement (and any supplementary bidder's statement) to be issued by Sandon in connection with the Offer, ASX announcements relating to the Offer and otherwise.

For avoidance of doubt, nothing in this letter restricts in any way Siblow's power to exercise, or control the exercise of, voting rights attached to Mercantile Shares held by it or on its behalf or to dispose of, or control the exercise of a power to dispose of, Mercantile Shares held by it or on its behalf in its absolute discretion.

This letter is not legally binding and creates no legally enforceable rights or obligations on any party.

Yours faithfully
Siblow Pty. Limited


Sir Ron Eriquiry

¹ Siblow is the registered holder of 50,783,852 Mercantile Shares, representing 18.09% of the issued capital of Mercantile. McNeil Nominees Pty Ltd (ACN 003 207 592) is registered holder 18,646,486 Mercantile Shares, representing 6.64% of the issued capital of Mercantile, and holds these Mercantile Shares on behalf of Siblow.

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Need help?

Contact Sandon Capital Investments Ltd
Phone (02) 8014 1188 (from within Australia)
Phone +61 2 8014 1188 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Securityholder Reference Number: 112345678910
Mercantile Investment Company Ltd
Shares held 99,999,999

If your holding has changed between record date and time of acceptance, then write your current holding here. Your acceptance will be granted over your updated holding.

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

Transfer and Acceptance Form – Issuer Sponsored Subregister

This is a personalised form for the sole use of the holder and holding recorded above.

B You must give your instructions to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your Mercantile Investment Company Ltd Shares. Your form must be received by the end of the Offer Period.

Offer Consideration – 0.2043 Sandon Capital Investments Ltd Shares for every 1 Mercantile Investment Company Ltd Share

C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our Mercantile Investment Company Ltd Shares and hereby agree to transfer to Sandon Capital Investments Ltd all my/our Mercantile Investment Company Ltd Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY



SRN



Holding

MVTT TKO001



Further Important Instructions

Your Mercantile Investment Company Ltd Shares are in an Issuer Sponsored Holding. To accept the Offer, you must complete and return this Acceptance Form in accordance with the instructions below.

Please refer to the Bidder's Statement dated 18 July 2019 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A** • **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name can only be processed by your Mercantile Investment Company Ltd Registry.
- **Please note** your consideration will be issued in the names as they appear on the Mercantile Investment Company Ltd register.
- D** • **Please sign this Acceptance Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your Mercantile Investment Company Ltd Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Mercantile Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Mercantile Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call Sandon Capital Investments Ltd on the following numbers:

**within Australia: (02) 8014 1188
outside Australia: +61 2 8014 1188**

Need help?

Contact Sandon Capital Investments Ltd
Phone (02) 8014 1188 (from within Australia)
Phone +61 2 8014 1188 (from outside Australia)

A Your name

SAMPLE NAME 1
SAMPLE NAME 2
<SAMPLE A/C>
SAMPLE ADDRESS 1
SAMPLE ADDRESS 2

Your holding

Holder Identification Number: X12345678910
Mercantile Investment Company Ltd
Shares held 99,999,999

If your holding has changed between record date and time of acceptance, then write your current holding here.

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

CONTROLLING PARTICIPANT'S NAME

Broker's Name printed here

Transfer and Acceptance Form – CHESS Subregister

This is a personalised form for the sole use of the holder and holding recorded above.

B You must give your instructions to your controlling participant to accept the Offer

If you correctly sign and return this form you will be deemed to have accepted the Offer in respect of **ALL** of your Mercantile Investment Company Ltd Shares.

Offer Consideration – 0.2043 Sandon Capital Investments Ltd Shares for every 1 Mercantile Investment Company Ltd Share

To accept the Offer you may either:

- directly instruct your Controlling Participant to accept the Offer on your behalf; or
- sign and return this Acceptance Form to the address shown overleaf so the Bidder can contact your Controlling Participant on your behalf and relay your instructions. If your Controlling Participant acts on your instruction CHESS will send you a confirmation notice.

C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during business hours

Contact Name (PRINT)

D You must sign this form for your instructions in this Acceptance Form to be executed

I/We, the person(s) named above, accept the Offer in respect of all my/our Mercantile Investment Company Ltd Shares and hereby agree to transfer to Sandon Capital Investments Ltd all my/our Mercantile Investment Company Ltd Shares for the consideration specified in the Offer, and on the terms and conditions of the Offer as set out in the Bidder's Statement.

Shareholder 1 (Individual)

Sole Director & Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY



HIN



Broker PID



Holding

MVTT TKO002



Further Important Instructions

Your Mercantile Investment Company Ltd Shares are in a CHESS Holding, therefore you do not need to complete and return this Acceptance Form to the registry to accept the Offer. You can instead contact your Controlling Participant and instruct them to accept the Offer on your behalf in sufficient time before the end of the Offer Period to enable your Controlling Participant to give effect to your acceptance of the Offer on CHESS during business hours. If you decide to use this Acceptance Form to authorise us to contact your Controlling Participant on your behalf, follow the instructions below. You should allow Link Market Services Limited ("Link") sufficient time for the delivery of the Acceptance Form to your Controlling Participant on your behalf. Neither Sandon Capital Investments Ltd, nor Link will be responsible for any delays incurred by this process.

Please refer to the Bidder's Statement dated 18 July 2019 which accompanies this Acceptance Form. Terms are defined in the Bidder's Statement and have the same meaning in this Acceptance Form.

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments. Amendments to your name or address can only be processed by your Controlling Participant.
 - **Please note** your consideration will be issued in the names as they appear on the Mercantile Investment Company Ltd register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your Mercantile Investment Company Ltd Shares are held in the names of more than one person, all of those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Lodgement instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
Mercantile Takeover
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
Mercantile Takeover
1A Homebush Bay Drive
RHODES NSW 2138

- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7:00pm (Sydney time) on the last day of the Offer Period.

If you have any questions about the terms of the Offer or how to accept, please call Sandon Capital Investments Ltd on the following numbers:

**within Australia: (02) 8014 1188
outside Australia: +61 2 8014 1188**