

Mercantile Investment Company Limited

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27 May 2021

ASX Announcement

CONDITIONAL PLACEMENT OF MERCANTILE INVESTMENT COMPANY NOTES AND AMENDMENT OF NOTE TERMS

The 8% Unsecured Notes (**Notes**) (ASX:MVTHA) issued by Mercantile Investment Company Limited (ASX: **MVT**), a wholly owned subsidiary of Sandon Capital Investments Limited (**SNC**), are due to be redeemed on 10 July 2021.

Summary

In order to accommodate Noteholders wanting to redeem their Notes on 10 July 2021 as well as those Noteholders wanting to continue with a fixed income investment paying 4.8% per annum, MVT Directors have determined that seeking approval of the Noteholders to amend the terms of the Notes (the **Restructure Proposal**) is the most appropriate course of action.

MVT has also undertaken a conditional placement to raise \$15 million from the issue of new MVT notes to wholesale and sophisticated investors, conditional on approval of the Restructure Proposal (**Conditional Placement**).

Importantly, the Restructure Proposal does not prevent Noteholders from requesting redemption of their investment on the original maturity date. It simply adds the choice of extending the investment in the Notes, on amended terms.

Alternatives considered by MVT

There were a number of ways MVT could fund the redemption. These included using cash resources supplemented by the sale of listed securities, new loans and/or the issue of new debt securities by SNC. The Directors also considered other factors including, but not limited to:

- the primary obligation to redeem the Notes on 10 July 2021 for cash;
- requests from existing Noteholders for a priority allocation in any new note issue under consideration by MVT or its parent; and
- the risks associated with each option considered by the Directors.

After having considered the various options and having regard to the investor interest in a new fixed income security, the Directors of MVT have determined that seeking Noteholder approval to amend the terms of the Notes is the most appropriate course of action.

The Restructure Proposal

MVT will seek Noteholders' approval for the Restructure Proposal. If approved, the Restructure Proposal will:

- Allow for the cash redemption of Notes for those Noteholders seeking to redeem their investment on 10 July 2021;
- Provide an opportunity for those Noteholders seeking to continue their investment on the amended terms. The Directors believe this is more efficient than undertaking an entirely new issue of securities as it builds on existing service provider relationships and effectively provides a "priority" for existing Noteholders; and
- Allow participants in the Conditional Placement to subscribe for \$15 million of new Notes (under the amended terms).

The Restructure Proposal will:

- extend the maturity date of the Notes from 10 July 2021 to 10 July 2026;
- change the interest rate payable to 4.8% for interest periods following 10 July 2021;
- introduce a guarantee from SNC, for the benefit of all Noteholders, in relation to MVT's financial obligations under the Note Terms;
- introduce an issuer right to redeem some or all Notes early (at face value plus accrued interest) at any time after 10 January 2026; and
- introduce a new investor protection that would see an increase in the interest rate payable by 2% per annum for periods during which the loan to asset ratio has exceeded 33.3% for the previous six months.

Noteholders who wish to redeem their investment will still be able to do so if the Restructure Proposal is passed. If the Restructure Proposal is not approved, all Notes will be redeemed for cash on 10 July 2021 and the Conditional Placement will not proceed. Noteholders will not have any opportunity to continue their investment.

Further details about the Restructure Proposal will be set out in a notice of meeting and explanatory memorandum to be despatched to Noteholders (**Notice of Meeting**). This is expected to be released to ASX on or around 28 May 2021.

Conditional Placement of Notes

MVT has successfully completed a bookbuild for the Conditional Placement and allocated \$15 million of new Notes at a fixed price of \$100 per new Note on a firm basis to sophisticated and professional investors. The issue of these new Notes is conditional on approval of the Restructure Proposal. The Conditional Placement is not underwritten.

The new Notes will be in the same class, rank equally and be fully fungible with existing Notes listed on ASX under the code "MVTHA" (on the terms as amended pursuant to the Restructure Proposal), including being entitled to the full amount of the interest payment on 31 December 2021. The funds raised would be used to fund potential redemptions associated with the Restructure Proposal, working capital requirements and to fund additional investments by MVT and SNC in accordance with the investment mandate.

Settlement of the Conditional Placement is expected to occur on 30 June 2021 (subject to approval of the Restructure Proposal).

Acacia Partners Pty Ltd (**Acacia Partners**) acted as Lead Manager and Taylor Collison Limited (**Taylor Collison**) was appointed as Co-Manager for the Conditional Placement.

Provisional Key Dates

Event	Date
ASX Announcement of Restructure Proposal	27 May 2021
Notice of Meeting issued to MVT Noteholders	28 May 2021
Redemption Notice Date	5.00 pm 18 June 2021
Record Date to vote on the Special Resolution	7.00 pm 21 June 2021
Deadline for lodging Proxy Forms	11.00 am 21 June 2021
Meeting of MVT Noteholders	23 June 2021
ASX announcement of outcome of vote on the Restructure Proposal	23 June 2021
Settlement date for Conditional Placement	30 June 2021
Issuance of Notes under the Conditional Placement (subject to the Special Resolution having been passed)	1 July 2021
Current Redemption Date and payment of applicable redemption amounts (where Noteholders elect to redeem)	10 July 2021
Application of amended interest rate to all Notes (i.e. all 'rollover' Notes and new Notes issued under the Conditional Placement)	11 July 2021

The final timetable will be included in the Explanatory Memorandum that will accompany the Notice of Meeting for the Restructure Proposal.

This announcement has been approved by the boards of SNC and MVT.

Contact

If you have any questions regarding:

- the Restructure Proposal, please call Gabriel Radzynski on 02 8014 1188
- the Conditional Placement, please contact Damian Pretty or Alex Morgan at Acacia Partners on 03 9639 1920 or Hamish Nairn at Taylor Collison on 08 8217 3908
- your Note holding, please contact Link, whose details appear below.

Further information:

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