

Mercantile Investment Company Limited

ABN 15 121 415 576
Level 5, 139 Macquarie Street
Sydney NSW 2000
Tel 02 8014 1188
Fax 02 8084 9918

28 May 2021

EXTRAORDINARY GENERAL MEETING & NOTICE OF MEETING

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

We refer to the announcement in relation to Mercantile Investment Company Limited's (ACN 121 415 576) (**MVT**) (a wholly owned subsidiary of Sandon Capital Investments Limited (**SNC**)) proposed amendments to the terms of MVT's unsecured notes (**ASX:MVTHA**) (**Notes** or **MVT Notes**) (**Restructure Proposal**) and the completion of the bookbuild for 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, dated 27 May 2021.

Extraordinary General Meeting & Notice of Meeting

The extraordinary general meeting (**Meeting**) of holders of MVT Notes to consider and vote on the Restructure Proposal will be held as follows:

Date: **Wednesday, 23 June 2021**

Time: **11:00am**

Venue: **Suite 18, 50 Stanley Street, Darlinghurst NSW 2010 and via the Zoom (see the enclosed Notice of Meeting for further details)**

For further details about the Restructure Proposal, conditional placement and the Meeting please refer to the enclosed Notice of Meeting and accompanying Explanatory Memorandum.

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; or
- your Note holding, please contact Link, whose details appear below.

Further information:

Sandon Capital Investments Limited

Tel: 02 8014 1188

Fax: 02 8084 9918

Website: www.sandoncapital.com.au

Link Market Services

Tel: 1300 554 474 (toll free within Australia)

Email: registrars@linkmarketservices.com.au

Fax: +61 2 9287 0303

Postal Locked Bag A14, Sydney

Address: South NSW 1235

Mercantile Investment Company Limited

(ACN 121 415 576)

Notice of Meeting

Notice is given that the extraordinary general meeting (**Meeting**) of holders of Mercantile Investment Company Limited (ACN 121 415 576) (**Mercantile, MVT** or the **Company**) unsecured notes (ASX:MVTHA) (**Notes** or **MVT Notes**) will be held as follows:

Date: **Wednesday, 23 June 2021**

Time: **11:00am**

Venue: **Suite 18, 50 Stanley Street, Darlinghurst NSW 2010 or via the Zoom link below**

Attending in person

You are entitled to attend the Meeting in person at the venue indicated above.

Otherwise, you may attend the Meeting virtually following the instructions below.

How to join online

The Meeting will be held virtually via a live Zoom teleconference for those MVT Noteholders who wish not to attend the Meeting in person.

MVT Noteholders will be able to attend the Meeting by going to <https://us02web.zoom.us/j/84640999138> using their web browser or internet enabled device.

To join the virtual Zoom Meeting:

Join Zoom Meeting: <https://us02web.zoom.us/j/84640999138>

Meeting ID: 846 4099 9138

One tap mobile

+61731853730,,84640999138# Australia

+61861193900,,84640999138# Australia

Dial by your location

+61 7 3185 3730 Australia

+61 8 6119 3900 Australia

+61 8 7150 1149 Australia

+61 2 8015 6011 Australia

+61 3 7018 2005 Australia

Meeting ID: 846 4099 9138

Find your local number: <https://us02web.zoom.us/j/84640999138>

The Board encourages MVT Noteholders to monitor the ASX company announcements platform (under the code MVTHA) for any updates in relation to the Meeting that may need to be provided. In the meantime, the Board encourages MVT Noteholders to submit their proxies as early as possible, even if they intend to attend the virtual Meeting.

In order to provide for an efficient Meeting, we request that any questions from MVT Noteholders are provided to the Company Secretary, Mark Licciardo at markl@mertons.com.au at least 24 hours in advance of the Meeting. MVT Noteholders who attend the Meeting in person will have the opportunity to ask questions of the Board.

Business

Purpose of the Meeting

Mercantile received a direction from Noteholders (**Direction**) who together hold 10% or more of the nominal value of the Notes (**Requesting Noteholders**) to call a meeting pursuant to section 283EA(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) and clause 21.2(a) of the Trust Deed titled Unsecured Notes Trust Deed and dated May 2016 between the Company and Australian Executor Trustees Limited (ACN 007 869 794) (**Trust Deed**). Accordingly, Mercantile has called the above Meeting to request MVT Noteholders to consider and, if thought fit, to pass the Special Resolution referred to in this Notice of Meeting.

Special Resolution

All MVT Noteholders are requested to consider and, if thought fit, to approve the following Special Resolution proposed by the Company:

“That pursuant to rule 12.2 of the Note Terms, Noteholders irrevocably and unconditionally:

- (a) consent to and approve a variation of their rights attaching to the Notes by making the amendments to the Note Terms detailed in Sections 2.1 and 2.2 of the Explanatory Memorandum;*
- (b) authorise the Company and the Trustee to amend the Note Terms as detailed in Sections 2.1 and 2.2 of the Explanatory Memorandum;*
- (c) consent to the Company and pursuant to clause 21.14 of the Trust Deed and all other enabling powers direct the Trustee, to concur in and execute any supplemental deed embodying such modifications and to enter into any and all documents necessary, to give effect to the matters in paragraphs (a) and (b) above;*
- (d) authorise the Registry to take such steps as are necessary, to give effect to the matters in paragraphs (a), (b) and (c) above; and*
- (e) acknowledge that terms used in this Special Resolution shall have the meanings given to them in the Explanatory Memorandum accompanying the Notice of Meeting.”*

Entitlement to vote

Noteholders are entitled to vote at the Meeting if they are shown in the Register of Notes to be a Noteholder at 7.00pm on Monday, 21 June 2021 (being no more than 48 hours before the Meeting).

Noteholders are entitled to vote at the Meeting in one of three ways:

- (a) by attending the Meeting and voting, in person;
- (b) by appointing a proxy to attend the Meeting and vote on their behalf, using the Proxy Form accompanying this Notice of Meeting; or
- (c) voting virtually during the Meeting. Note, if you intend to attend the Meeting and / or vote at the Meeting virtually, you will need your Security Reference Number or Holder Identification Number (which can be found on your Proxy Form) for verification purposes.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

You may still attend the Meeting and vote in person even if you have appointed a proxy. If you have previously submitted a Proxy Form, your attendance will not revoke your proxy appointment unless you actually vote at the Meeting for which the proxy is proposed to be used, in which case, the proxy's appointment is deemed to be revoked with respect to voting on that resolution.

Please bring your personalised Proxy Form with you as it will help you to register your attendance at the Meeting. If you do not bring your Proxy Form with you, you can still attend the Meeting but representatives from Link Market Services will need to verify your identity.

You can register from 10:00 am (Sydney time) on the day of the Meeting.

Voting by proxy

Any Noteholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote instead of that Noteholder.

The proxy does not need to be a Noteholder of the Company.

A Noteholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Noteholders' votes.

Proxies may be:

- (a) lodged at the Note registry, Link Market Services Limited;
- (b) faxed to the fax number specified below;
- (c) lodged online at www.linkmarketservices.com.au in accordance with the instructions there,

not later than 11:00 am on 21 June 2021.

Address (hand deliveries): 1A Homebush Bay Drive, Rhodes NSW 2138 or
Level 12, 680 George Street, Sydney NSW 2000

Address (postal deliveries): Locked Bag A14 Sydney South NSW 1235

Fax number for lodgement: (within Australia) (02) 9287 0309
(outside Australia) +61 2 9287 0309

The Proxy Form has been enclosed. Please read all instructions carefully before completing the Proxy Form.

Corporations

To vote at the Meeting, a Noteholder that is a corporation must appoint an individual to act as its representative. The appointment must comply with section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

If attending virtually, the representative must send this evidence via email to **registrars@linkmarketservices.com.au** by 11:00 am on 21 June 2021.

Alternatively, a corporation may appoint a proxy.

Entitlement to vote – Corporations Act

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the Meeting all Notes will be taken to be held by the persons who held them as registered Noteholders at 7.00 pm Sydney time on 21 June 2021.

Accordingly, Note transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

Other information

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting.

All Noteholders should read the Explanatory Memorandum carefully and in its entirety. Noteholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

Before making a decision to vote in relation to the Special Resolution, MVT Noteholders should carefully consider all of the information in the accompanying Explanatory Memorandum.

Terms and abbreviations used in this Notice of Meeting and in the Explanatory Memorandum that are not otherwise defined, have the meanings given in the Glossary to the Explanatory Memorandum.

No Investment Advice

The information contained in this Notice of Meeting and Explanatory Memorandum is provided by the Company, which does not, and is not required to, hold an Australian financial services licence. The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice however, to the extent financial product advice is provided, such advice is general advice only and has been prepared without taking into account any Noteholders' objectives, financial situation, taxation position or needs. Before acting on any such advice or making any decision on how to vote on the Special Resolution, Noteholders should consider whether the advice is appropriate for their circumstances. Where available, Noteholders should obtain a copy of, and consider, this and any other relevant disclosure documentation before making any decision in relation to Notes.

Neither the Company nor the Trustee is providing any taxation, legal or other advice regarding the proposed amendments or Special Resolution. It is important that you read this Notice of Meeting and Explanatory Memorandum in their entirety before making any decision on how to vote on the Special Resolution contained within. If you are in any doubt, you should consult your professional adviser and make (and you shall be taken to have made) your own independent investigation as to the suitability of the proposed amendments in your own particular circumstances.

Questions

If you have any questions about your holding of Notes or this Notice of Meeting and/or the Explanatory Memorandum, please consult your own professional adviser.

Alternatively:

- (a) if you wish to contact the Registry, please contact Link Market Services by telephone on +61 1300 554 474 or by email at registrars@linkmarketservices.com.au;
- (b) for questions regarding the process (including the submission of a Proxy Form) or this Notice of Meeting, please email Gabriel Radzynski at gabriel@sandoncapital.com.au or telephone [02 8014 1188](tel:0280141188); or for questions regarding the Conditional Placement, please contact Damian Pretty, Acacia Partners Pty Limited ABN 49 607 046 391, (**Acacia Partners**) (AFSL 480585), by email at dpretty@acaciapartners.com.au or by telephone on +61 3 9639 1920. Acacia

Partners has been appointed by the Company to manage the conditional placement of additional Notes referred to in section 1.6 of the Explanatory Memorandum.

By order of the Board

A handwritten signature in black ink, appearing to be 'G. Radzynski', with a stylized, flowing script.

Gabriel Radzynski
Chairman, Board of Directors
Mercantile Investment Company Limited

Mercantile Investment Company Limited

(ACN 121 415 576)

Letter to Noteholders

Dear Noteholder,

Mercantile Investment Company Limited (**Mercantile, MVT** or the **Company**) is inviting you to attend a meeting of MVT Noteholders to be held on Wednesday, 23 June 2021 at 11:00 am (Sydney time) to consider and vote on a proposal to restructure the terms of the Notes (**Restructure Proposal**).

As you would be aware, the Notes are currently scheduled to mature on 10 July 2021 (**Current Redemption Date**). The Directors of MVT considered a range of proposals to repay or refinance these Notes and also to secure additional debt funding. The Restructure Proposal (together with the Conditional Placement (described below)) was chosen by the Directors as the most suitable option available. The directors of both Sandon Capital Investments Limited ACN 107 772 467 (**Sandon** or **SNC**) (the Company's listed parent) and the Directors of MVT had considered a new note issue by SNC, however the Restructure Proposal was determined to be simpler and more cost effective than issuing an entirely new security, which would have required a prospectus.

The proposed changes to the Note Terms that would be made if the Restructure Proposal is approved include:

- (a) extending the maturity date of the Notes from 10 July 2021 to 10 July 2026 (**New Maturity Date**);
- (b) recognising that different MVT Noteholders may have different investment preferences, MVT is offering Noteholders the option to either redeem all or some of their Notes on the Current Redemption Date or to continue holding the Notes under the restructured terms;
- (c) amending and reducing the interest rate applicable to the Notes; the amended interest rate will apply to Notes on issue after the Current Redemption Date;
- (d) allowing the company to redeem all or some of the Notes during the six-month period immediately prior to the New Maturity Date, in its discretion; and
- (e) obtaining a guarantee from MVT's listed parent company, Sandon, of MVT's payment obligations under the Note Terms.

The Company is also proposing to issue additional MVT Notes (in the same class as the existing Notes), by way of a placement to sophisticated and professional investors which would potentially increase the face value of Notes on issue up to a total of \$37.3 million (assuming no existing Notes are redeemed on the Current Redemption Date and a maximum of \$15 million new Notes are placed). The placement of any additional Notes to sophisticated and professional investors is conditional on Noteholder approval of the Restructure Proposal (**Conditional Placement**). The Conditional Placement does not require Noteholder approval. Under the Conditional Placement, the Company proposes to issue a minimum of \$10 million of new Notes, and up to a maximum of \$15 million new Notes.

If implemented, the Restructure Proposal has the following key benefits:

- (a) you can continue holding your investment in Notes and receive semi-annual interest payments (at the amended interest rate) until the Notes mature on the New Maturity Date (payable on 30 June and 31 December each year), subject to any earlier redemption (at the Company's discretion) during the 6 month period immediately prior to the New Maturity Date;

- (b) the liquidity in trading of the Notes on ASX may improve as a result of additional Notes being placed with sophisticated and professional investors (although the Notes are expected to have relatively limited liquidity); and
- (c) the creditworthiness of the Notes will improve, all other things being equal, as a result of the new guarantee from Sandon and the increased diversity of the investment portfolio;
- (d) the guarantee from Sandon will provide a greater amount of assets to back the payment obligations of the Notes. When the Notes were first issued Sandon was not the parent entity of the Company. Sandon did not assume any direct responsibility for the Notes following its takeover of MVT in 2019. The guarantee has the effect of making Sandon, as the Company's parent entity, responsible for the Company's Note payment obligations. This is expected to improve the credit quality of the Notes and, in particular, relevant debt-to-asset ratios, all other things being equal. The table below demonstrates, on a pro forma basis, this improvement. The assumptions to this table are: (i) SNC Total assets are \$147,868,800; (ii) MVTHA Notes outstanding plus accrued interest is \$22,308,700 and (iii) All cash is invested, hence no net cash. The table below sets out three different scenarios: A) \$10m New Notes and no redemptions on the Current Redemption Date; B) \$15m New Notes and \$10m redemption amount on the Current Redemption Date and C) \$15m New Notes and no redemption amount on the Current Redemption Date.

	as at 30 April 2021	Loan-to- assets (LTA)	(Debt+ Equity) / Equity
Total MVT Total Assets	\$89,679,846		
Existing MVTHA liability (including accrued interest)	\$22,308,700	25%	133%
\$10m New notes issued, no redemptions			
Pro forma SNC Total Assets	\$157,868,800		
Face Value of MVTHA	\$32,308,700	20%	126%
\$15m New notes issued, \$10m of existing notes redeemed			
Pro forma SNC Total Assets	\$152,868,800		
Face Value of MVTHA	\$27,308,700	18%	125%
\$15m New notes issued, no redemptions			
Pro forma SNC Total Assets	\$162,868,800		
Face Value of MVTHA	\$37,308,700	23%	135%

As well as the benefits listed above, you should consider the potential disadvantages of the Restructure Proposal (together with any placement of additional Notes to sophisticated and professional investors), as set out in Section 2 of the Explanatory Memorandum which this letter forms part of, which potential disadvantages include that the price of the Notes post the restructure could fall and that, if the volume of new Notes issued under the Conditional Placement is less than the volume of Notes elected to be redeemed on the Current Redemption Date, liquidity may fall. MVT Noteholders are encouraged to read and consider all the information provided before making a decision on whether to vote in favour of the Restructure Proposal.

If the Restructure Proposal is approved, MVT expects to issue additional Notes to eligible sophisticated and professional investors on or around **1 July 2021**, such that immediately following the issue, total Notes on issue will then be up to \$37.3 million (assuming a maximum of \$15 million new Notes are placed). See Section 1 of the Explanatory Memorandum for further details.

Acacia Partners is the Lead Manager and Taylor Collison Limited is the Co-Manager of the Conditional Placement.

The MVT Board has considered a range of alternatives available to the Company to manage the upcoming maturity of Notes having regard to the interests of the Noteholders, MVT's financial position, the Note Terms and capital structure. Based on this assessment, we believe that the Restructure Proposal is the most suitable option available.

The Board unanimously recommends that you vote in favour of the Restructure Proposal, and I, Gabriel Radzynski, being the only Director who controls Notes have committed to vote all of the Notes held directly or indirectly by myself, in favour of the Restructure Proposal.

MVT notes it received a Direction pursuant to section 283EA(1) of the Corporations Act 2001 and clause 21.2(a) of the Trust Deed from Requesting Noteholders who together hold more than 10% of the Notes requesting MVT to call a meeting of Noteholders to consider a special resolution to make changes to the Note Terms and to direct the Trustee to execute an amending deed and take all other necessary actions (should the Special Resolution be passed).

Your vote is important. The Board strongly encourages you to vote either by attending the Meeting in person or by appointing a proxy to attend the Meeting and vote on your behalf, using the Proxy Forms accompanying the Notice of Meeting.

If, having read the Explanatory Memorandum, you would like your Notes to be redeemed you may opt for this by delivering a Redemption Election Notice to Link Market Services Limited ABN 54 083 214 537 (in its capacity as the Note Registry) no later than the Redemption Notice Date of 5:00pm on **18 June 2021**.

The Company will keep Noteholders informed of any material developments in relation to the Restructure Proposal through releases on ASX. If you have any questions in relation to the Conditional Placement, please contact Damian Pretty, Acacia Partners Pty Limited ABN 49 607 046 391, (AFSL 480585), by email at dpretty@acaciapartners.com.au or by telephone: +61 3 9639 1920.

Yours sincerely



Gabriel Radzynski
Chairman, Board of Directors
Mercantile Investment Company Limited

Mercantile Investment Company Limited

(ACN 121 415 576)

Explanatory Memorandum

This Explanatory Memorandum sets out further information regarding the proposed Special Resolution to be considered by holders of the Notes issued by Mercantile Investment Company Limited (**Mercantile, MVT or the Company**) at the Extraordinary General Meeting (**Meeting**) to be held at **Suite 18, 50 Stanley Street, Darlinghurst, NSW 2010** on **Wednesday, 23 June 2021 at 11:00 am**. MVT Noteholders have the option of attending the Meeting in person or virtually. The Directors recommend that Noteholders read this Explanatory Memorandum before determining whether or not to support the Special Resolution. The information contained in this Explanatory Memorandum is prepared as of 25 May 2021.

1. Special Resolution: Restructure Proposal

1.1. The Restructure Proposal

MVT is putting forward a proposal (**Restructure Proposal**) which provides an opportunity for Noteholders, among the other changes detailed below, to have the term of their Notes extended so that they will mature on 10 July 2026 (instead of 10 July 2021).

A Meeting of Noteholders will be held to vote on changes to the rights of Noteholders that will be necessary to implement the Restructure Proposal.

To give Noteholders maximum flexibility, existing Noteholders will be able to elect to redeem some or all of their Notes on the Current Redemption Date (provided the vote is passed).

1.2. Summary of Changes

In summary, the changes that will be made to the rights of Noteholders as set out in the Note Terms, if the vote is passed, are as follows:

- (a) the Maturity Date will be extended from 10 July 2021 to 10 July 2026;
- (b) you will have the right to have some or all of your Notes redeemed on the Current Redemption Date;
- (c) with effect from the Current Redemption Date, the interest rate on any outstanding Notes will be 4.8% per annum (previously 8% per annum), unless the LTA Ratio (defined in Section 2.2 below) exceeds 33.3% for a period of six months, whereupon the interest rate will increase to 6.8% per annum for so long as the LTA Ratio remains above 33.3%; and
- (d) allowing the Company to redeem some or all of the outstanding Notes during the six-month period immediately prior to the New Maturity Date, in its discretion.

In addition, MVT's listed parent company, Sandon has agreed to guarantee MVT's payment obligations under the Note Terms. The guarantee from Sandon is conditional on the amendment to the Note Terms being approved by Noteholders. The guarantee will be provided by way of a deed poll executed by Sandon in favour of MVT and the Noteholders.

1.3. Why is MVT proposing these changes?

The Restructure Proposal will defer MVT's obligation to repay the Face Value of each Note for 5 years. In recognition that not all Noteholders may wish to continue holding Notes, the Restructure Proposal will also enable any existing Noteholders to redeem some or all of their Notes on the Current Redemption Date.

1.4. What choices are open to Noteholders if the vote passes?

If the Special Resolution to approve the Restructure Proposal is passed, you can choose to:

- (a) maintain your current holdings of Notes (subject to the new Note Terms); or
- (b) redeem some or all of your Notes on the Current Redemption Date by completing a Redemption Election Notice and providing it to the Company by the Redemption Notice Date.

1.5. How do I redeem some or all of my Notes should the vote be passed?

To redeem some or all of your Notes in the event the Special Resolution is approved, you must deliver a Redemption Election Notice to the Registry (in its capacity as the Note Registry) by no later than 5:00pm on the Redemption Notice Date. A personalised Redemption Election Notice will be posted to a Noteholder under a separate cover letter.

A Redemption Election Notice is irrevocable once given. You will need to make a decision about whether or not you wish to redeem some or all of your Notes on the Current Redemption Date before the date of the Meeting, ie. before the voting outcome on the Restructure Proposal is known.

You may not deal with, transfer, dispose of or create any encumbrance in any Note the subject of a Redemption Election Notice.

1.6. What happens if the vote is passed and you elected to redeem some or all of your Notes?

If the vote is passed and you elected some or all of your Notes to be redeemed then you will not be able to rollover those number of Notes you have elected to be redeemed.

If the Restructure Proposal is approved, MVT expects to issue additional Notes to eligible sophisticated and professional investors (**Conditional Placement**). The Company proposes to issue a minimum of \$10 million of new Notes and up to a maximum of \$15 million additional Notes under the Conditional Placement. Notes issued as part of the Conditional Placement (**Conditional Placement Notes**) will be in the same class, rank equally and be fully fungible with existing Notes listed on ASX under the code MVTHA.

The Conditional Placement is being managed by Acacia Partners who has also been appointed to act as authorised intermediary for the purposes of the amendment to the Note Terms and Conditional Placement. The Conditional Placement is not underwritten.

Note redemptions will be funded from a mix of the Company's cash reserves (including the proceeds of any new Notes issued), investment realisations and loan funds from Sandon (if required).

1.7. What happens if the vote does not pass?

If the vote is not passed, your Notes will be redeemed, in full, on the Current Redemption Date and you will not have the opportunity to participate as a Noteholder in MVT following the Current Redemption Date.

In addition, if the vote is not passed, the Conditional Placement will not proceed.

1.8. Board recommendation

As explained further in Section 3.1 below, the MVT Board unanimously recommends that you vote in favour of the Restructure Proposal. You are not obliged to follow the unanimous recommendation of the Board. Sections 3 and 4 set out various advantages and disadvantages which the MVT Board encourages you to read in considering how to vote.

Section 5.2 sets out certain interests that the Directors of MVT and Sandon and their respective Associates have in the Notes.

1.9. Impact of the Restructure Proposal on MVT if the vote is passed

The Restructure Proposal, if approved, will provide MVT with greater financial flexibility to fund its growth strategies through deferring the repayment of the Notes.

In addition, if the Restructure Proposal is approved, MVT expects to issue additional Notes to eligible sophisticated and professional investors on or around 1 July 2021, such that immediately following the issue, total Notes on issue will then be up to \$37.3 million following the Conditional Placement (assuming a maximum of \$15 million new Notes are placed).

1.10. Noteholder Approval

Implementation of the Restructure Proposal will require a variation of the rights attached to the Notes, which can only proceed with the approval of MVT Noteholders by way of Special Resolution.

The Notice of Meeting contains the Special Resolution which, if passed, will allow for the Restructure Proposal to go ahead by amending the Note Terms. The Special Resolution requires approval by a majority of 75% or more of votes cast on the resolution by eligible MVT Noteholders who are present at the Meeting (in person, virtually or by proxy).

1.11. Timing

The indicative timetable for the Restructure Proposal is as follows (all times are Sydney times):

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
Deadline for lodging Proxy Forms	11.00 am 21 June 2021
Record Date to vote on the Special Resolution	7.00 pm 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

Other than the Current Redemption Date, MVT reserves the right to amend this timetable at any time and for any reason. Any amendments will be notified to MVT Noteholders via an announcement to ASX.

2. Special Resolution

2.1. Amendments to be approved by Special Resolution

The proposed amendments to the Note Terms to implement the Restructure Proposal, which are required to be approved by Special Resolution, are set out below.

2.2. Changes to the Note Terms

Make the following changes to clause 1.1 of the Note Terms:

Insert the following new definitions:

“Australian Accounting Standards means the Australian Accounting Standards and policies issued by the Australian Accounting Standards Board.

Cash and Cash Equivalents means, at any time, the aggregate amount in Australian dollars of cash and cash equivalents held by MVT as at such time, as determined in accordance with the Australian Accounting Standards, but excluding the amount of such cash or cash equivalents which are the subject of a Security Interest.

Financial Indebtedness means, without double counting, any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised under any acceptance credit, or bill acceptance, discount or endorsement facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with any applicable generally accepted accounting practices, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any redeemable shares where the holder has the right, or the right in certain conditions, to require redemption;
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;

- (h) consideration for the acquisition of assets (excluding inventory bought in the ordinary course of business) or services payable more than 180 days after acquisition;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) inclusive above,

but excluding any increase or possible increase in Financial Indebtedness resulting from changes to accounting definitions.

LTA Ratio means, at any time, the loan-to-asset ratio for MVT and Sandon, calculated as follows:

$$A = B/C$$

where:

A = the LTA Ratio (expressed as a percentage) as at such time;

B = the Total Debt less the Cash and Cash Equivalents as at such time; and

C = the Total Assets less the Cash and Cash Equivalents as at such time.

LTA Ratio Event means the LTA Ratio exceeds 33.3% on the last day of the most recent calendar month and has done so for at least the previous 5 months.

Redemption Election Notice means the notice to redeem MVT Notes on the Redemption Date attached at **Annexure A** to these Terms.

Redemption Notice Date means 5.00pm (Sydney time) on 18 June 2021.

Sandon means Sandon Capital Investments Limited (ACN 107 772 467).

Security Interest means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. It includes any retention of title other than in the ordinary course of trading and a deposit of money by way of security but it excludes a charge or lien arising in favour of a government agency by operation of statute unless there is default in payment of moneys secured by that charge or lien.

Total Assets means, at any time, the total assets of Sandon as at such time.

Total Debt means, at any time, the outstanding principal amount of all Financial Indebtedness of MVT and Sandon as at such time."

Insert the following definitions (which replace the current definitions in the Note Terms):

"**Maturity Date** means 10 July 2026.

Interest Rate means 4.8% per annum, except when an LTA Ratio Event is continuing in which case the Interest Rate will be 6.8% per annum."

Make the following changes to clause 6 of the Note Terms:

Replace clause 6.2 with the following clause:

“6.2 *Redemption by MVT*

- (a) *MVT may redeem each MVT Note (for their face value and any accrued interest) at any time after 10 January 2026 by giving 5 Business Days’ notice to each MVT Noteholder.*
- (b) *If not previously Redeemed and cancelled by MVT, MVT must redeem each MVT Note on the Maturity Date and must pay to the MVT Noteholder the Redemption Sum.”*

Replace clause 6.5 with the following clause:

“6.5 *Redemption at option of MVT Noteholder*

- (a) *Without affecting Clause 6.4, MVT Noteholders may elect to redeem some or all of their MVT Notes by returning their completed Redemption Election Notice to the Company by no later than 5.00pm on the Redemption Notice Date.*
- (b) *Subject to Clause 6.5(a), MVT Noteholders have no right to request Redemption of their MVT Notes.”*

Copy of Amended Note Terms

Subject to the Special Resolution having been passed, the amendment to the Note Terms will take effect following passage of the Special Resolution and prior to the Conditional Placement. Both the Direction and the Special Resolution require the Company and the Trustee to execute a deed to amend the Note Terms to give effect to the amendments the subject of the Special Resolution. Mercantile will provide a copy of the amended Note Terms to any Noteholder who requests a copy. A copy of the amended Note Terms (showing the proposed changes in mark up) are attached to this Explanatory Memorandum as **Annexure A**.

2.3. Sandon Guarantee

Subject to the Special Resolution having been passed, Sandon has agreed to guarantee the payment obligations of the Company under the Notes.

This will be implemented by Sandon executing a deed poll in favour of the Company and the Noteholders.

If the Special Resolution is not passed Sandon will not provide the proposed guarantee.

3. Key reasons to vote in favour of the Special Resolution

3.1. Board recommendation

The Board unanimously recommends that you vote in favour of the Special Resolution. In reaching their recommendation, the Board has considered:

- (a) the advantages of the Restructure Proposal, as set out in sections 3.2;
- (b) the disadvantages of the Restructure Proposal, as set out in sections 3.3; and
- (c) the other relevant considerations set out in this Explanatory Memorandum.

Gabriel Radzyminski, being the only Director who controls Notes, has indicated that he intends to vote his Notes in favour of the Restructure Proposal.

3.2. Advantages of the Restructure Proposal

Interest payments: You can continue holding your investment in Notes and receiving semi-annual interest payments (at the amended interest rate) until the Notes mature on the New Maturity Date (payable on 30 June and 31 December each year);

Market liquidity: The liquidity in trading of the Notes on ASX may improve as a result of additional Notes being placed with sophisticated and professional investors (although the Notes are expected to have relatively limited liquidity);

Guarantee: The creditworthiness of the Notes will improve as a result of the new guarantee from Sandon;

Early redemption: You may still elect to have some or all of your Notes redeemed on the Current Redemption Date; and

Priority: Provide an opportunity for those Noteholders seeking to continue their investment on the amended Note 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.

3.3. Reasons why you may consider voting against the Special Resolution

Disagree with the recommendation of the Board: Despite the unanimous recommendation of the Board to vote in favour of the Special Resolution, you may believe that the Restructure Proposal is not in your best interests having regard to your individual circumstances and professional advice. You are not obliged to follow the unanimous recommendation of the Board.

Fall in the price of Notes: You may believe that the price of the Notes could fall as a result of the Restructure Proposal.

Lower interest rate: the interest rate payable to Noteholders if the Restructure Proposal proceeds is lower than the historical rate paid to Noteholders. This is consistent with a lower interest rate environment generally.

4. Taxation Considerations

4.1. Introduction

The following taxation summary has been prepared as a general guide based on Australian tax legislation and practices of the Australian Taxation Office (ATO) and each state revenue authority current as at the date of this Explanatory Memorandum, both of which may change in the future (including with retrospective effect) without notice.

This section is not intended to be and should not be taken as a comprehensive taxation summary of, or advice on, the implications of the Restructure Proposal for a Noteholder, and addresses only some of the key Australian tax implications that may arise for a Noteholder as a result of the Restructure Proposal. You should seek your own professional tax advice having regard to your particular circumstances.

4.2. Taxation of gains on redemption for Australian Noteholders

MVT Noteholders who are Australian tax residents, or who are non-residents that hold the Notes in carrying on business at or through a permanent establishment in Australia, will be required to include any gain on redemption of the Notes (if applicable) in their assessable income.

Such MVT Noteholders may be entitled to deduct any loss on redemption of the Notes.

The determination of the amount and timing of any assessable amount and deduction may be affected by specific provisions of the Income Tax Assessment Act 1936 (Cth), which provide for specialised regimes for the taxation of financial instruments.

4.3. Taxation of gains on redemption for offshore Noteholders

A Noteholder who is a non-resident of Australia and who has never held the Notes in the course of carrying on a business through a permanent establishment in Australia will not be subject to Australian income tax on gains realised on the redemption of the Notes, provided such gains do not have an Australian source. The source of income for Australian taxation purposes is ultimately a question of fact.

4.4. Collection powers

The ATO and other revenue authorities in Australia have wide powers for the collection of unpaid tax debts. This can include issuing a notice to an Australian resident (including the Company) requiring a deduction from any payment (including a redemption amount) to a Noteholder in respect of unpaid tax liabilities of that Holder.

4.5. Stamp duty

No stamp duty should be payable on the redemption of the Notes.

4.6. GST

No GST should be payable on the redemption of the Notes.

5. Additional information

5.1. Meeting

The Company is holding a meeting of MVT Noteholders at **Suite 18, 50 Stanley Street, Darlinghurst, NSW 2010** on **Wednesday, 23 June 2021 at 11:00am (Sydney time)**. At the Meeting, MVT Noteholders will be asked to approve the Special Resolution. The terms of the Special Resolution to be considered at the Meeting are contained in the Notice of Meeting and this Explanatory Memorandum.

5.2. Interests in Notes held by Directors

Details of the Directors of each of MVT and Sandon and their respective Associates (as that term is defined in sections 12 and 15 of the Corporations Act) have in the Notes are set out below:

Name	Number of Notes held (each at Face Value of \$100)
Gabriel Radzyminski (controlled entities and Associates)	500
Peter Velez	Nil
Melinda Snowden	Nil

5.3. Am I able to vote at the Meeting?

You are entitled to vote at the Meeting if you are a Noteholder as at 7:00pm (Sydney time) on **21 June 2021** (being no more than 48 hours prior to the Meeting).

Instructions on how to attend and vote at the Meeting (in person or by proxy) are set out in the Notice of Meeting. Details of Noteholders' entitlements to vote at the Meeting are also set out in the Notice of Meeting.

Voting is not compulsory. However, the Board unanimously recommends that Noteholders vote in favour of the Special Resolution. Despite the unanimous recommendation of the Board to vote in favour of the Special Resolution, you may believe that the Restructure Proposal is not in your best interests having regard to your individual circumstances and professional advice. You are not obliged to follow the unanimous recommendation of the Board.

The results of the Meeting will be available as soon as possible after the conclusion of the Meeting and will be announced on MVT's ASX platform.

5.4. Special Resolution approval requirements

The Special Resolution requires approval by a special majority (75% or more) of votes cast on the Special Resolution by MVT Noteholders present and voting at the Meeting (either in person, virtually or by proxy). Voting will be conducted by way of a poll.

The Restructure Proposal will only proceed if the Special Resolution is approved.

5.5. How will the Company be affected if the Special Resolution is passed?

If approved, the Restructure Proposal will provide the Company with greater financial flexibility to fund its growth strategies through deferring the repayment of the Notes.

5.6. What happens if the Special Resolution does not pass?

If the Special Resolution is not passed, you will not have the option to rollover your Notes and continue to earn interest on them. Instead, you will receive the Face Value of each Note that you hold on the Current Redemption Date. See Section 1.7 for further details.

If you have any questions in relation to the Conditional Placement, please contact Damian Pretty, Acacia Partners Pty Limited ABN 49 607 046 391, (AFSL 480585), by email at dpretty@acaciapartners.com.au or by telephone: **+61 3 9639 1920**.

6. Important Notices

6.1. Currency of information

The information contained in this Explanatory Memorandum is prepared as of the date it is issued and stated on the first page (**Preparation Date**). Neither the delivery of this Explanatory Memorandum nor any other action in respect of it at any time implies that the information contained in it (or incorporated by reference) is correct at any time subsequent to the Preparation Date or that any other information supplies in connection with the Notes is correct or that there has not been any change (adverse or otherwise) in the financial conditions or affairs of the Company as of any time subsequent to the Preparation Date.

6.2. Risks

Neither this Explanatory Memorandum nor any other information supplied in connection with the Restructure Proposal describes the risks of a continued investment in the Notes. All parties should consult their own professional, financial, legal and tax advisers about risks associated with an investment or decision in light of their particular circumstances.

6.3. Forward looking statements

This Explanatory Memorandum and the other materials provided in connection with the Restructure Proposal may contain forward-looking statements. All statements that address expectations or projections about the future are forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives nor any other person guarantees that these assumptions and expectations are accurate or will be realised. The actual results could thus differ materially from those projected in any such forward-looking statements. Neither the Company nor its directors, officers, employees, agents, affiliates, advisers or representatives nor any other person assumes any responsibility to amend, modify or revise any forward-looking statements on the basis of any subsequent developments, information or events.

6.4. No investment advice

The information contained in this Explanatory Memorandum is provided by the Company. The information contained in this Explanatory Memorandum does not constitute financial product advice however, to the extent financial product advice is provided, such advice is general advice only and has been prepared without taking into account the objectives, financial situation, taxation position or needs of any Noteholder. Before acting on any such advice or making any decision on how to vote on the Special Resolution, Noteholders should consider whether the advice is appropriate for their circumstances. Where available, holders should obtain a copy of, and consider, this and any other relevant disclosure documentation before making any decision in relation to Notes.

The Company is not providing any taxation, legal or other advice regarding the proposed amendments or Special Resolution. It is important that you read this Explanatory Memorandum and the Notice of Meeting in their entirety before making any decision on how to vote on the Special Resolution contained within. If you are in any doubt, you should consult your professional adviser and make (and shall be taken to have made) your own independent investigation as to the suitability of the proposed amendments in your own particular circumstances.

6.5. Questions and Comments at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to MVT Noteholders - as a whole - to ask questions or make comments about the Company at the Meeting.

6.6. Role of Acacia Partners

Acacia Partners has agreed to act as authorised intermediary for the Company for the purposes of section 911A(2)(b) of the Corporations Act in relation to the amendments to the Note Terms and the issue of Notes under the Conditional Placement.

Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

Acacia Partners means Acacia Partners Pty Ltd (ABN 49 607 046 391).

Associate has the meaning given to that term in sections 12 and 15 of the Corporations Act.

ASX means as the context requires, ASX Limited ACN 008 624 691 or the securities market conducted by it.

Board means the board of Directors of the Company.

Company, Mercantile and MVT means Mercantile Investment Company Limited (ACN 121 415 576).

Conditional Placement means the placement of a minimum of \$10 million new Notes and up to \$15 million new Notes to sophisticated and professional investors within the meaning of section 708(8) and section 708(11) of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Current Redemption Date means 10 July 2021.

Deed Poll means the proposed deed poll to be executed by Sandon in favour of the Company and the Noteholders.

Direction means the direction dated 19 May 2021 received from Requesting Noteholders.

Director means a director of the Company.

Explanatory Memorandum means this explanatory memorandum which forms part of the Notice of Meeting.

Face Value is defined in the Note Terms.

Meeting means the Extraordinary General Meeting of the Company the subject of this notice of Meeting scheduled to occur on 23 June 2021.

New Maturity Date means 10 July 2026.

Noteholder means each person who is registered on the Register of Notes as the holder of a Note.

Notes means the Notes issued under the Trust Deed.

Note Terms in relation to a Note, the terms of issue of that Note as set out in **Schedule 1** of the Trust Deed, as amended from time to time.

Notice of Meeting means the notice of meeting relating to the Meeting to which this Explanatory Memorandum is attached.

Preparation Date means 27 May 2021.

Proxy Form means the form accompanying the Notice of Meeting.

Redemption Election Notice means a notice in the form attached to the amended Note Terms that are attached as **Annexure A** accompanying the Notice of Meeting.

Redemption Notice Date means the date by which a Notice of Exercise of Redemption must be given to be effective being 5.00pm (Sydney time) on 18 June 2021.

Register of Notes means the Company's register of Notes and Noteholders maintained by the Registry.

Registry means Link Market Services Limited (ABN 54 083 214 537).

Requesting Noteholders means Noteholders that hold more than 10% of the Notes.

Restructure Proposal means the proposal to amend the terms of the Notes, as detailed in this Explanatory Memorandum.

Sandon means Sandon Capital Investments Limited (ACN 107 772 467).

Special Resolution means the resolution set out in the Notice of Meeting.

Trustee means Australian Executor Trustees Limited (ACN 007 869 794).

Trust Deed means the deed entitled Unsecured Notes Trust Deed executed by the Company and the Trustee dated May 2016.

Annexure A – Proposed amendments to the Note Terms

Schedule 1

Terms and Conditions

Terms of issue of MVT Notes

1. Interpretation

1.1. Definitions

Additional Amount means an additional amount payable under Clause 11.1.

ADI means an “authorised deposit taking institution” as defined in the *Banking Act 1959 (Cth)*.

Aggregate Face Value means at any time the aggregate face value of all the MVT Notes issued by MVT and which have not been redeemed, repaid, repurchased or otherwise cancelled.

ASX means ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.

ASX Settlement Operating Rules means the business rules of the clearing and settlement facility maintained by ASX Settlement Pty Limited (ACN 008 504 532).

Australian Accounting Standards means the Australian Accounting Standards and policies issued by the Australian Accounting Standards Board.

Australian Tax Act means the *Income Tax Assessment Act 1936 (Cth)* and, where applicable, the *Income Tax Assessment Act 1997 (Cth)*.

Business Day means a day which is a business day for the purposes of the Listing Rules and on which banks are open for general banking business in Sydney, New South Wales, excluding a Saturday, Sunday or public holiday.

Cash and Cash Equivalents means, at any time, the aggregate amount in Australian dollars of cash and cash equivalents held by MVT as at such time, as determined in accordance with the Australian Accounting Standards, but excluding the amount of such cash or cash equivalents which are the subject of a Security Interest.

Change of Control means:

- (a) MVT becomes a Controlled Entity of another entity;
- (b) a person’s voting power in MVT increases above 50%;
- (c) a person is in a position to cast or control the casting of more than 50% of the maximum number of votes that may be cast at a general meeting of members of MVT;
- (d) a person acquires shares representing more than 50% of the issued MVT Shares (excluding any part of those issued units that carry no right to participate beyond a specified amount in its distribution of income or assets of MVT); or
- (e) MVT Shares cease to be Listed.

CHESS means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Limited (ACN 008 504 532).

CHESS Approved Securities means securities that are “CHESS approved” for the purpose of the Listing Rules.

Control has the meaning given in Section 50AA of the Corporations Act.

Controlled Entity means an entity under the Control of another entity.

Controller has the same meaning as in the Corporations Act.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Equal Ranking Debt means all present and future unsecured debts and monetary obligations of MVT other than the Junior Ranking Debt.

Event of Default means any of the following events, whether or not it is within the control of MVT:

- (a) **Insolvency Event:** an Insolvency Event occurs with respect to MVT;
- (b) **failure to pay amount when due:** MVT fails to pay the Face Value or Interest on the due date for payment and has not rectified that default within 7 Business Days;
- (c) **remediable failure:** MVT commits a material breach of its obligations under the Transaction Documents that is remediable and does not remedy that breach within 30 Business Days after the earlier of (A) receiving notice of that breach from the MVT Note Trustee and (B) MVT becoming aware of the failure to comply; or
- (d) **non-remediable failure:** MVT commits a material breach of its obligations under the Transaction Documents, that breach cannot be remedied and 30 Business Days have passed since the earlier of (A) receiving notice of that breach from the MVT Note Trustee and (B) MVT becoming aware of the failure to comply.

Face Value means the face value of each MVT Note issued by MVT and which has not been redeemed, repaid, repurchased or otherwise cancelled, with the initial Face Value of each MVT Note being the amount per MVT Note specified in the Prospectus pursuant to which the MVT Note was issued.

Financial Indebtedness means, without double counting, any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised under any acceptance credit, or bill acceptance, discount or endorsement facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with any applicable generally accepted accounting practices, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any redeemable shares where the holder has the right, or the right in certain conditions, to require redemption;
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) of a type not referred to in any other paragraph of this definition having the commercial effect of a borrowing;
- (h) consideration for the acquisition of assets (excluding inventory bought in the ordinary course of business) or services payable more than 180 days after acquisition;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) inclusive above,

but excluding any increase or possible increase in Financial Indebtedness resulting from changes to accounting definitions.

Holding Statement means a holding statement evidencing that the person named on it is the holder of the number of MVT Notes shown on it.

Insolvency Event means in relation to an entity:

- (a) members of MVT pass an effective resolution for the Winding Up of MVT;
- (b) a liquidator or provisional liquidator of MVT is made or appointed or an application is made for the appointment of a liquidator or provisional liquidator and that application is not withdrawn or set aside within 10 Business Days;
- (c) a court makes an order to Wind Up MVT (other than to effect a solvent reconstruction);
- (d) an administrator of MVT is appointed under Sections 436A, 436B or 436C of the Corporations Act;
- (e) a receiver or receiver or manager is appointed over the assets of MVT.

Interest means interest payable to a MVT Noteholder under Clause 5.1.

Interest Payment Date means 30 June and 31 December each year until all MVT Notes have been Redeemed. If any of these schedule dates is not a Business Day, then the payment will be made on the next Business Day, unless the schedule date is 30 June in which case the payment will be made on the immediately preceded Business Day. If a payment is postponed until the next Business Day or brought forward to the preceding Business Day, there is no adjustment to the amount of Interest payable. The first payment will be made on 31 December 2016.

Interest Period has the meaning given in Clause 5.2.

~~**Interest Rate** means the rate specified in the Prospectus pursuant to which the MVT Note was issued.~~

Interest Rate means 4.8% per annum, except when an LTA Ratio Event is continuing in which case the Interest Rate will be 6.8% per annum.

Issue Date means the date of issue of a MVT Note and the subscriber's name entered into the Register.

Junior Ranking Debt means all present and future unsecured debts and monetary obligations of MVT which rank, or are expressed to rank, after MVT Notes or MVT's obligations in respect of the MVT Notes.

Listed, in respect of the MVT Notes or the MVT Shares, means admitted to the official quotation on the ASX, whether or not quotation of the MVT Notes or the MVT Shares, as the case may be, is deferred, suspended or subjected to a trading halt.

Listing Rules means the official listing rules of ASX for the time being, subject to any modification or waivers in their application which may be granted by ASX.

LTA Ratio means, at any time, the loan-to-asset ratio for MVT and Sandon, calculated as follows:

$A = B/C$

where:

A = the LTA Ratio (expressed as a percentage) as at such time;

B = the Total Debt less the Cash and Cash Equivalents as at such time; and

C = the Total Assets less the Cash and Cash Equivalents as at such time.

LTA Ratio Event means the LTA Ratio exceeds 33.3% on the last day of the most recent calendar month and has done so for at least the previous 5 months.

~~**Maturity Date** means 10 July 2021, being the date approximately 5 years from the Issue Date.~~

Maturity Date means 10 July 2026.

Moneys Owning means the Aggregate Face Value, any interest payable on the MVT Notes and any other moneys payable to the MVT Note Trustee or the MVT Noteholders under or pursuant to these Terms and, in relation to a MVT Noteholder, means that portion of those moneys which is owing to that MVT Noteholder.

MVT means Mercantile Investment Company Limited (ACN 121 415 576).

MVT Note means an unsecured debt obligation, denominated in Australian dollars, and issued or to be issued by MVT which is constituted by and is owing under the Trust Deed, the details of which are recorded in, or evidenced by, entry into the MVT Note Register but excluding any such notes which at the relevant time have been redeemed (in whole or in part), repaid, repurchased or otherwise cancelled.

MVT Noteholder means a person or persons whose name is or names are for the time being entered in the MVT Note Register as a holder of a MVT Note.

MVT Note Register means the register of MVT Noteholders.

MVT Note Trustee means the trustee of the MVT Notes Trust created by the Trust Deed from time to time, being initially Australian Executor Trustees Limited (ABN 84 007 869 794).

MVT Notes Trust means the trust declared in Clause 2 of the Trust Deed.

MVT Share means an ordinary share in the capital of MVT.

Notes Trust Fund has the same meaning as in the Trust Deed.

Offshore Associate means an associate (as defined in Section 128F of the Australian Tax Act) of MVT that is either:

- (a) a non-resident of Australia which does not acquire MVT Notes in carrying on a business at or through a permanent establishment in Australia; or
- (b) a resident of Australia that acquires MVT Notes in carrying on a business at or through a permanent establishment outside Australia.

Ordinary Resolution means:

- (a) a resolution in writing signed by MVT Noteholders who hold more than 50%, in terms of aggregate face value, of the MVT Notes on issue, which resolution may be contained in one document or in several documents in like form each signed by one or more MVT Noteholders, but only if a copy of the resolution has been delivered to all persons who would otherwise be entitled to receive notice of a meeting and in like form); or
- (b) a resolution passed at a meeting of MVT Noteholders, duly called and held under Clause 21 of the Trust Deed, by more than 50% of the votes cast.

Principal Sum means, in respect of a MVT Note, the total amount paid up on the issue of the MVT Note, being the Face Value as reduced from time to time in accordance with these Terms.

Prospectus means a prospectus under Chapter 6D of the Corporations Act issued in connection with an offer of MVT Notes for subscription.

Record Date has the meaning given to that term in the Listing Rules.

Redemption means redemption of a MVT Note in accordance with Clause 6 and **Redeem** has a corresponding meaning.

Redemption Date means, in respect of a MVT Note, the date of Redemption of that MVT Note.

Redemption Election Notice means the notice to redeem MVT Notes on the Redemption Date attached at Annexure A to these Terms.

Redemption Notice Date means 5.00pm (Sydney time) on 18 June 2021.

Redemption Sum has the meaning given in Clause 6.1

Registry means Link Market Services Limited (ACN 083 214 537) or any other person appointed by MVT to maintain the MVT Note Register and perform any payment and other duties as specified in that agreement.

Relevant Tax Jurisdiction means Australia or any relevant political sub-division.

Sandon means Sandon Capital Investments Limited (ACN 107 772 467).

Security Interest means any mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind or any other right of, or arrangement with, any creditor to have its claims satisfied in priority to other creditors with, or from the proceeds of, any asset. It includes any retention of title other than in the ordinary course of trading and a deposit of money by way of security but it excludes a charge or lien arising in favour of a government agency by operation of statute unless there is default in payment of moneys secured by that charge or lien.

Senior Creditor means a senior secured creditor of MVT other than as the holder (or trustee for the holders) of a MVT Note, an Equal Ranking Debt or a Junior Ranking Debt.

Special Resolution has the meaning set out in Clause 22.2 of the Trust Deed.

Taxes means federal and state taxes from time to time including income tax (including any tax on gains arising from the disposal of assets), withholding tax, sales tax, value added or goods and services tax, fringe benefits tax, stamp duty, payroll tax, land tax, financial institutions duties, registration and other duties, bank accounts debits tax and other levies, imposts, deductions and charges together with interest on those amounts and penalties with respect to them and charges, fees or other amounts made on or in respect of them, except if imposed on, or calculated having regard to, the net income of the MVT Noteholder.

Term means the term of a MVT Note being the period from (and including) the Issue Date until (but excluding) the Maturity Date, unless the MVT Note is Redeemed early, in which case the Term ends on Redemption.

Terms mean these terms and conditions, as amended from time to time.

Total Assets means, at any time, the total assets of Sandon as at such time.

Total Debt means, at any time, the outstanding principal amount of all Financial Indebtedness of MVT and Sandon as at such time.

Trust Deed means the trust deed between MVT and the MVT Note Trustee dated on or about [date] 2016.

Winding Up means the winding up of MVT or the appointment of a liquidator or provisional liquidator of MVT (and where the appointment is made by a court, by a court of competent jurisdiction in Australia) and **Wound Up** and **Wind Up** have a corresponding meaning.

1.2. Additional Definitions

Unless otherwise expressly defined in these Terms, terms defined in the Trust Deed have the same meaning in these Terms.

1.3. Interpretation

- (a) A reference to a Clause, or Schedule is a reference to a Clause, or Schedule of these Terms unless the contrary intention is indicated.
- (b) If any action falls due for performance on a day other than a Business Day, it need not be done until the next Business Day.
- (c) A reference to \$ or dollar is to Australian currency.
- (d) A reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute.
- (e) Unless otherwise defined, financial terms have the meaning ascribed to them in accordance with generally accepted accounting principles consistently applied in Australia, and in any event, in accordance with the Corporations Act.

1.4. ASX rules

- (a) The Terms are to be interpreted subject to:
 - (i) the Listing Rules, while the MVT Notes are Listed; and
 - (ii) the ASX Settlement Operating Rules, while the MVT Notes are CHESS Approved Securities.
- (b) Where the Listing Rules:
 - (i) require the amendment of the Terms to enable MVT Notes to be listed for quotation, or to retain quotation, on the ASX;
 - (ii) require an amendment to the Terms to enable MVT Notes to be treated in accordance with Listing Rules on a reorganisation or reconstruction of capital of MVT; or
 - (iii) would prohibit a reorganisation or reconstruction of capital of MVT unless the Terms were amended,

MVT may make the necessary amendment to the Terms in accordance with Clause 12 by notice given to all MVT Noteholders without requiring the agreement or approval of MVT Noteholders.

2. Acknowledgment

2.1. Acknowledgment

MVT acknowledges that it is indebted to the MVT Noteholder to the extent of the Principal Sum.

3. Nature of MVT Notes

3.1. Status

- (a) A MVT Note confers rights on the MVT Noteholder as a creditor of MVT for an amount equal to the Principal Sum and all other Moneys Owning from time to time.
- (b) A MVT Note is an unsecured debt obligation constituted by, and owing under, the Trust Deed.

3.2. Ranking

- (a) MVT Notes constitute unsecured debt obligations of MVT which rank equally without any preference among themselves and the repayment of which ranks in priority behind certain other obligations of MVT in the manner specified in these Terms.
- (b) The claims of the MVT Note Trustee and MVT Noteholders against MVT in respect of MVT Notes (**Noteholder Claims**) are, in the event of a winding up of MVT, subject in right of payment to payment in full of the claims of all Senior Creditors.
- (c) Subject to the following, the MVT Note Trustee and each MVT Noteholder must not, and each is taken to have waived, to the fullest extent permitted by law, any right to prove in a winding up of MVT as a creditor in respect of any Noteholder Claim other than as a claim which is subject to and contingent upon prior payment in full of the claims of Senior Creditors. Nothing in this Clause 3.2(c) prevents the MVT Note Trustee from proving in a winding up of MVT in its personal capacity.
- (d) Neither the MVT Note Trustee nor any MVT Noteholder may exercise its voting rights (as a creditor in respect of MVT Notes) in a winding up of MVT so as to defeat the provisions of this Clause 3.2.
- (e) Neither the MVT Note Trustee nor any MVT Noteholder is entitled to set-off any amounts, merge accounts or exercise any other rights the effect of which is or may be to reduce the amount payable by MVT in respect of the MVT Notes held by any MVT Noteholder.
- (f) For the avoidance of doubt, payments of Interest under these Terms are subject to this Clause 3.2.

3.3. Currency

MVT Notes are denominated in Australian dollars.

3.4. No other rights

- (a) A MVT Note does not confer any rights to a MVT Noteholder:
 - (i) to attend or vote at a general meeting of MVT;
 - (ii) to subscribe for new securities or to participate in any bonus issue of securities by MVT;
or
 - (iii) to otherwise participate in the profits or property of MVT or to benefits produced by MVT except by receiving payments as set out expressly in these Terms.
- (b) MVT may from time to time, without the consent of the MVT Noteholders, issue further notes having the same terms as the MVT Notes in all respects except for the date and calculation of the first interest payment under those notes, so as to form part of the same series as the MVT Notes.
- (c) The issue of MVT Notes does not restrict the ability of MVT to issue any other notes, shares or securities, or incur or guarantee any indebtedness, upon such terms as MVT may determine.

- (d) By accepting an issue or transfer of a MVT Note, a MVT Noteholder:
- (i) agrees to be bound by these Terms and the Trust Deed; and
 - (ii) acknowledges that it is a creditor of MVT and subject to the limitations on rights arising under the MVT Notes set out in this Clause 3.4.

4. Title

4.1. Issue

MVT Notes are issued in registered form by entry in the MVT Note Register.

4.2. Title

- (a) Title to any MVT Note is determined by registering the MVT Noteholder in the MVT Note Register.
- (b) Title to any MVT Note passes when it is registered in the name of the transferee in the MVT Note Register.

4.3. No certificate

No certificates will be issued to MVT Noteholders unless MVT is required to do so under any applicable law.

4.4. CHES

The rights of a MVT Noteholder holding an interest in MVT Notes that are CHES Approved Securities are subject to the ASX Settlement Operating Rules.

4.5. Recognition

Except as ordered by a court of competent jurisdiction or as required by law, MVT:

- (a) may treat the registered holder of any MVT Notes as the absolute owner (notwithstanding any notice of ownership or writing on the MVT Note or any notice of previous loss or theft or of any trust or any other interest) and is not bound to take notice of or to admit the execution of any trust, whether express, implied or constructive or any other right, title or interest of any other person, to which any MVT Note may be subject.
- (b) is not required to obtain any proof of ownership and is not required to verify the identity of the registered holder.
- (c) is not required to recognise or give effect to any legal or equitable interest in any MVT Note not entered on the MVT Note Register notwithstanding that MVT may have actual or constructive notice thereof.

5. Interest

5.1. Interest

- (a) MVT must pay Interest to a MVT Noteholder at the Interest Rate on the Principal Sum from the Issue Date to Redemption of that MVT Note.
- (b) Interest accrues daily from and including the first day of each Interest Period to and including the last day of that Interest Period.
- (c) Interest must be calculated on the basis of a 365 day year.

- (d) MVT must pay Interest on each Interest Payment Date.
- (e) Interest paid under this Clause 5.1 is an unsecured debt obligation of MVT (whether or not paid out of profits of MVT).

5.2. Interest Period

- (a) For the purposes of this Clause 5, subject to Clause 5.2(b), **Interest Period** means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date.
- (b) However:
 - (i) the first Interest Period commences on (and includes) the Issue Date;
 - (ii) the Interest Period ending on 30 June in any year ends on (and includes) 30 June;
 - (iii) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and
 - (iv) the final Interest Period ends on (but excludes) the Redemption Date.

5.3. Rounding

If the amount of Interest payable under this Clause 5 includes a fraction of a cent, the amount of Interest payable must be rounded to the nearest one Australian cent with one half of an Australian cent being rounded up to one Australian cent.

6. Redemption

6.1. Redemption Sum

For the purposes of this Clause 6, the **Redemption Sum** for a MVT Note is the Principal Sum together with all accrued but unpaid Interest on that MVT Note on the date for Redemption.

6.2. ~~Redemption by Issuer~~ Redemption by MVT

- (a) MVT may redeem each MVT Note (for their face value and any accrued interest) at any time after 10 January 2026 by giving 5 Business Days' notice to each MVT Noteholder.

~~(a)(b)~~ If not previously Redeemed and cancelled by MVT, MVT must redeem each MVT Note on the Maturity Date and must pay to the MVT Noteholder the Redemption Sum.

6.3. Notice to MVT Note Trustee

MVT agrees to promptly (and in any event no later than 2 Business Days after it becomes aware thereof) notify the MVT Note Trustee in writing of an Event of Default or a Change of Control.

6.4. Redemption on Default

On the occurrence of an Event of Default, if required by the MVT Note Trustee by written notice in accordance with the Trust Deed, MVT must redeem all MVT Notes on issue on the date of delivery of that notice and must pay the Redemption Sum for each MVT Note on issue on that date.

6.5. ~~No Redemption at option of MVT Noteholder~~ Redemption at option of MVT Noteholder

~~Without affecting Clause 6.4, MVT Noteholders have no right to request Redemption of their MVT Notes at any time.~~

- (a) Without affecting Clause 6.4, MVT Noteholders may elect to redeem some or all of their MVT Notes by returning their completed Redemption Election Notice to the Company by no later than 5.00pm on the Redemption Notice Date.
- (b) Subject to Clause 6.5(a), MVT Noteholders have no right to request Redemption of their MVT Notes.

6.6. Early Redemption for tax reasons

- (a) If, as a result of any change in, or amendment to, the laws of a Relevant Tax Jurisdiction, or any change in their application or official or judicial interpretation or administration, which change or amendment becomes effective on or after the Issue Date, MVT is or would be required to pay an Additional Amount, MVT may Redeem all (but not some) MVT Notes before their Maturity Date for the Redemption Sum.
- (b) However, MVT may only Redeem under this Clause 6.6 if:
 - (i) MVT has:
 - (A) delivered to the MVT Note Trustee and Registry a certificate signed by two directors or a director and a secretary of MVT stating that MVT is entitled to Redeem MVT Notes under this Clause 6.6 and setting out a statement of the facts showing that the conditions giving rise to the right of MVT to Redeem under this Clause 6.6 have occurred; and
 - (B) given notice of its election to do so at least 30 days (and no more than 60 days) prior to the proposed Redemption Date to the MVT Note Trustee and the Registry and to MVT Noteholders by issuing an ASX announcement;
 - (ii) the proposed Redemption Date is an Interest Payment Date; and
 - (iii) the notice of Redemption is not given earlier than 90 days before the Interest Payment Date occurring immediately before the earliest date on which MVT would be obliged to pay any Additional Amounts.

The MVT Note Trustee has no obligation to investigate any matters certified to it pursuant to clause 6.6(b)(i)(A).

6.7. Early Redemption on a Change of Control

- (a) If a Change of Control Event occurs, subject to Clause 6.7(b), then:
 - (i) MVT may Redeem all (but not some) MVT Notes before their Maturity Date for the Redemption Sum; and
 - (ii) MVT must notify the MVT Note Trustee, the Registry and the MVT Noteholders by issuing an ASX announcement:
 - (A) of the occurrence of the Change of Control Event as soon as practicable after becoming aware of the event specifying the date on which the Change of Control Event occurred; and
 - (B) of its intention (if applicable) to exercise its right to Redeem MVT Notes under this Clause 6.7 within 20 Business Days of the date on which the Change of Control Event occurred.
- (b) MVT may only Redeem under this Clause 6.7 if the notice given under Clause 6.7(a)(ii)(B) indicates that MVT intends to Redeem on a proposed Redemption Date which is:
 - (i) an Interest Payment Date;

- (ii) at least 30 days (and no more than 60 days) after the date the notice is given to the MVT Note Trustee, the Registry and ASX; and
- (iii) no later than 180 days after the occurrence of the Change of Control Event.

6.8. Repurchase

MVT may, at any time, to the extent permitted by any applicable law and the Listing Rules, purchase MVT Notes on the ASX or otherwise, and at any price. MVT Notes purchased under this Clause 6.8 may be held, resold or cancelled at the option of MVT, subject to compliance with any applicable law and the Listing Rules.

7. Default

7.1. Action upon Event of Default

- (a) Upon the occurrence of an Event of Default, and at any time while that Event of Default subsists, the MVT Note Trustee may, or if so directed by a Special Resolution, must, by written notice to MVT, give a notice to MVT under Clause 6.4.
- (b) At any time after the occurrence of an Event of Default, the MVT Note Trustee may at its discretion and without further notice institute such proceedings as it may think fit to recover the Moneys Owning.
- (c) Nothing in this Clause 7.1 prevents the MVT Note Trustee bringing proceedings to recover Moneys Owning to it other than in its capacity as a MVT Noteholder or acting on behalf of MVT Noteholders.

7.2. Knowledge of Event of Default

The MVT Note Trustee is taken not to have knowledge of the occurrence of an Event of Default unless the MVT Note Trustee has received written notice from a MVT Noteholder or MVT stating that an Event of Default has occurred and describing it.

7.3. No obligation to inform

Nothing contained in this Deed imposes on the MVT Note Trustee an obligation to inform any MVT Noteholders of any breach by MVT of any provision of the Trust Deed.

7.4. Notice to MVT Noteholders

Subject to the MVT Note Trustee firstly being indemnified to its satisfaction from the property of the MVT Notes Trust, if the MVT Note Trustee becomes actually aware of the occurrence of an Event of Default, the MVT Note Trustee must promptly convene a meeting of MVT Noteholders in accordance with Clause 21 of the Trust Deed at which it must seek directions from the MVT Noteholders in the form of a Special Resolution as to the action it should take in relation to that Event of Default.

7.5. Waiver

The MVT Note Trustee must not waive or authorise any Event of Default unless directed to do so by a Special Resolution.

7.6. MVT Note Trustee not bound to enforce

The MVT Note Trustee need not take any action contemplated by Clause 6.4 or exercise any other power, right or discretion under the Trust Deed (including the granting of any waiver or consent or the making of any determination) unless all the following conditions are satisfied:

- (a) the MVT Note Trustee is directed to take the action by a Special Resolution; and

- (b) the MVT Note Trustee is indemnified, to its satisfaction, against all costs, charges, liabilities and expenses which may be incurred by it in connection with that action; and
- (c) the MVT Note Trustee is not restricted or prohibited from taking such action by any order of any competent court or any applicable law.

If the MVT Note Trustee forms the view that such action is or could be inconsistent with the Trust Deed, these Terms or the Corporations Act or any other applicable law, it may take steps to seek (and, if the court so determines, to obtain) as soon as reasonably practicable a court direction or order to set aside or vary the direction given by Special Resolution, and, while those steps are underway, the MVT Note Trustee is not obliged to take any action or proceedings it has been directed to take by Special Resolution.

7.7. No individual enforcement

Unless the MVT Note Trustee, having become obliged to take action to enforce the rights of the MVT Noteholders under the Trust Deed and these Terms fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, the rights of each MVT Noteholder to enforce the obligations of MVT under the MVT Notes are limited to the exercise of its rights to enforce and seek due administration by the MVT Note Trustee of the Trust Deed. In particular, unless the MVT Note Trustee having become obliged to take action to enforce the rights of the MVT Noteholders under the Trust Deed and these Terms fails to do so within 20 Business Days of being obliged to do so and such failure is continuing, no MVT Noteholder may, with respect to payment of any amount due under the MVT Notes held by it:

- (a) sue MVT;
- (b) obtain judgment against MVT; or
- (c) apply for or seek a Winding up of MVT.

If any MVT Noteholder takes any action to enforce the obligations of MVT under the MVT Notes following a failure by the MVT Note Trustee to take any action it is required to take under the Trust Deed or these Terms within the required time periods, then such MVT Noteholder must take such action in its own name and not in the name of the MVT Note Trustee.

8. Transfer

8.1. Transfer

A MVT Noteholder may transfer MVT Notes:

- (a) for so long as MVT Notes are CHESS Approved Securities, in accordance with the rules and regulations of CHESS and the ASX Settlement Operating Rules; or
- (b) at any other time:
 - (i) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act; or
 - (ii) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

MVT must not charge any fee on the transfer of MVT Notes.

8.2. Stamp Duty

The MVT Noteholder is responsible for any stamp duty or other similar taxes which are payable in any jurisdiction in connection with the transfer, assignment or other dealing with its MVT Notes.

8.3. Registration

Subject to the rules and regulations of CHESS and the ASX Settlement Operating Rules while the MVT Notes are CHESS Approved Securities, where MVT receives an instrument of transfer in accordance with Clause 8.1, MVT must:

- (a) enter the named transferee in the MVT Note Register; and
- (b) re-issue and dispatch any Holding Statements for the MVT Notes being transferred in the name of that transferee to that transferee.

8.4. Owner

Subject to the rules and regulations of CHESS and the ASX Settlement Operating Rules while the MVT Notes are CHESS Approved Securities, the transferor remains the owner of such MVT Notes until the name of the transferee is entered into the MVT Note Register.

9. Registration

9.1. Issuer to maintain a MVT Note Register

MVT must establish and maintain or cause to be maintained a MVT Note Register.

9.2. Issuer to update MVT Note Register

MVT will enter or cause to be entered on the MVT Note Register the names and addresses of each MVT Noteholder, the number of MVT Notes held by each MVT Noteholder, the corresponding Issue Date and the date of transfer (if any) of the MVT Notes to or from each MVT Noteholder.

9.3. MVT Noteholders to notify Issuer of changes in details

An MVT Noteholder must promptly notify MVT of any change of its name or registered address accompanied by such evidence as MVT may reasonably require.

9.4. Joint holders

MVT's obligations to register joint holders of any MVT Notes may be effectively discharged by performance in favour of any one or more of those registered joint holders.

10. Payments

10.1. Summary of payment provisions

Payments in respect of MVT Notes, subject to the Trust Deed, must be made in accordance with this Clause 10.

10.2. Payments subject to law

All payments are subject to applicable law, but without prejudice to the provisions of Clause 10.

10.3. Payments on Business Days

If any payment:

- (a) is due on a day (other than 30 June each year) which is not a Business Day, then the due date for payment will be the next Business Day;
- (b) is due on any 30 June which is not a Business Day, then the due date for payment will be the immediately preceding Business Day; or

- (c) is to be made to an account on a Business Day on which banks are not open for general banking business in the place in which the account is located, then the due date for payment will be the first following day on which banks are open for general banking business in that place.

In none of these cases will there be any adjustment to the amount payable by reason of any delay or early payment.

10.4. Payment of Interest

Payments of Interest (other than Interest included in a Redemption Sum) must be made to the person registered on the Record Date for that payment as the holder of that MVT Note.

10.5. Payment of Redemption Sum

Payments of the Redemption Sum must be made to the person registered at 10.00am on the Redemption Date as the holder of that MVT Note.

10.6. Payments to accounts

Monies payable by MVT to a MVT Noteholder may be paid by crediting an Australian dollar bank account maintained in Australia with a financial institution and nominated in writing by the MVT Noteholder by close of business on the relevant Record Date (or in the case of Redemption, by close of business on the fifth Business Day prior to the Redemption Date) or in any other manner MVT decides.

10.7. Unsuccessful attempts to pay

If the MVT Noteholder has not notified the Registry of an account for the purposes of payment under Clause 10.6 or the transfer of any amount for crediting the nominated account does not complete for any reason (other than an error made by or on behalf of MVT), MVT is treated as having paid the amount on the date on which it would otherwise have made the payment and a notice must be sent to the address most recently notified by the MVT Noteholder advising of the uncompleted payment. In that case, unless MVT decides to complete the payment to the applicable MVT Noteholder by another method, the amount of the uncompleted payment must be held on deposit in a non-interest bearing account maintained by MVT or the Registry with an ADI until the MVT Noteholder nominates a suitable Australian dollar account maintained in Australia for crediting with the payment or the claim becomes void. No additional interest is payable in respect of any delay in payment. The account in which a payment is held under this Clause 10.7 may be used to hold payments due to other holders of MVT Notes but for no other purpose.

10.8. Payment to joint MVT Noteholders

A payment to any one of joint MVT Noteholders discharges MVT's liability in respect of the payment.

10.9. No set-off, counterclaim or deductions

All payments in respect of MVT Notes must be made:

- (a) in full without set-off or counterclaim by MVT in respect of claims by MVT against the holders of MVT Notes, except as permitted by Clause 11.3; and
- (b) without any withholding or deduction in respect of Taxes, unless the withholding or deduction is required by law or permitted by Clause 11.3.

11. Taxation

11.1. Withholding tax

Subject to Clause 11.2, if a law requires MVT to withhold or deduct an amount in respect of Taxes from a payment in respect of a MVT Note such that the MVT Noteholder would not actually receive on the due date the full amount provided for under the MVT Note, then:

- (a) MVT may deduct the amount for the Taxes (and any further withholding or deduction applicable to any further payment due under Clause 11.1(b)); and
- (b) if the amount deducted or withheld is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this Clause 11.1, the MVT Noteholder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions or withholdings had been required to be made.

11.2. Withholding tax exemptions

No Additional Amounts are payable under Clause 11.1(b) in respect of any MVT Note:

- (a) to, or to a third party on behalf of, a MVT Noteholder who is liable to such Taxes in respect of that MVT Note by reason of the person having some connection with a Relevant Tax Jurisdiction other than the mere holding of that MVT Note or receipt of payment in respect of that MVT Note;
- (b) to, or to a third party on behalf of, a MVT Noteholder who could lawfully avoid (but has not so avoided) such Taxes by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or similar case for exemption to any tax authority;
- (c) to, or to a third party on behalf of, a MVT Noteholder who is an Offshore Associate and not acting in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act;
- (d) to, or to a third party on behalf of, an Australian resident MVT Noteholder or a non-resident MVT Noteholder carrying on business in Australia at or through a permanent establishment of the non-resident in Australia, if the MVT Noteholder has not supplied an appropriate tax file number, an Australian business number or other exemption details;
- (e) to, or to a third party on behalf of, a MVT Noteholder on account of amounts which the Australian Commissioner of Taxation requires the relevant Issuer to withhold under section 255 of the Income Tax Assessment Act 1936 (Cth) or section 260-5 of Schedule 1 of the Taxation Administration Act 1953 (Cth); or
- (f) if the Taxes have been imposed or levied as a result of the MVT Noteholder being party to or participating in a scheme to avoid such Taxes, being a scheme which MVT was neither a party to nor participated in.

11.3. Tax File Number

- (a) MVT must deduct tax from payments of Interest on MVT Notes at the highest marginal tax rate plus the highest Medicare levy if a MVT Noteholder has not supplied an appropriate tax file number, Australian business number or exemption details.
- (b) If a MVT Noteholder supplies exemption details and MVT subsequently determines that the relevant exemption was not available, MVT may recover the amount that should have been deducted from the relevant MVT Noteholder and may deduct that amount from any subsequent payment due to that MVT Noteholder in respect of MVT Notes.

12. Amendment

12.1. Amendment without consent

- (a) Subject to compliance with any applicable laws and the Listing Rules, MVT may amend these Terms with the approval of the MVT Note Trustee and without the agreement or approval of MVT Noteholders, if each of MVT and the MVT Note Trustee is of the opinion that such amendment is:

- (i) of a formal or technical or minor nature;
 - (ii) made to cure any ambiguity or correct any manifest error; or
 - (iii) necessary or expedient to comply with any applicable law.
- (b) The MVT Note Trustee's approval to an amendment of these Terms under Clause 12.1(a) is subject to MVT providing the MVT Note Trustee with an opinion of an Australian Legal Practitioner, addressed to the MVT Note Trustee, that the alternation is not materially prejudicial to the interests of the MVT Noteholders as a whole.

12.2. Amendment by Special Resolution of MVT Noteholders

MVT and the MVT Note Trustee are entitled with the authority of a Special Resolution of MVT Noteholders to make any amendment or addition to these Terms.

13. MVT Note Trustee capacity and limitation of liability

- (a) The MVT Note Trustee is not liable to MVT, any MVT Noteholder or any other person in any capacity other than as trustee of the MVT Notes Trust.
- (b) Any liability arising under or in connection with the Trust Deed, a MVT Note, the Terms or other Transaction Document is limited to and can be enforced against the MVT Note Trustee only to the extent to which the MVT Note Trustee is actually indemnified out of the Notes Trust Fund for that liability. This limitation of the MVT Note Trustee's liability applies despite any other provision of the Trust Deed, these Terms or any other Transaction Document and extends to all liabilities and obligations of the MVT Note Trustee in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Trust Deed, a MVT Note, these Terms or a Transaction Document.
- (c) Neither MVT nor any MVT Noteholder may sue the MVT Note Trustee in any capacity other than as trustee of the MVT Notes Trust, including seeking the appointment of a Controller (except in relation to the Notes Trust Fund), a liquidator an administrator or any other similar person to the MVT Note Trustee or prove in any Liquidation of or affecting the MVT Note Trustee (except in relation to the Notes Trust Fund).
- (d) MVT and each MVT Noteholder waives each of their rights against the MVT Note Trustee, and each releases the MVT Note Trustee from any personal liability, in respect of any loss or damage which any of them may suffer as a consequence of a failure of the MVT Note Trustee to perform its obligations under the Trust Deed, a MVT Note, these Terms or other Transaction Document, which cannot be paid or satisfied out of the Notes Trust Fund.
- (e) The provisions of this Clause 13 will not apply to any obligation or liability of the MVT Note Trustee to the extent arising as a result of the MVT Note Trustee's fraud, negligence or wilful default.
- (f) MVT and each MVT Noteholder each acknowledge that it is responsible for performing a variety of obligations under the Trust Deed, the Terms and other Transaction Documents. No act or omission of the MVT Note Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Trust Deed, these Terms or any Transaction Document) will be considered fraud, negligence or wilful default of the MVT Note Trustee for the purposes of this Clause 13 to the extent to which the act or omission was caused or contributed to by any failure of MVT, a MVT Noteholder or any other person to fulfil its obligations relating to the Notes Trust or by any other act or omission of MVT, a MVT Noteholder or any other person.
- (g) No attorney, agent or delegate appointed in accordance with the Trust Deed has authority to act on behalf of the MVT Note Trustee in any way which exposes the MVT Note Trustee to any personal liability and no such act or omission of any such person will be considered fraud, negligence or wilful default of the MVT Note Trustee for the purpose of this Clause 13.

- (h) The MVT Note Trustee is not obliged to do or refrain from doing anything under the Trust Deed, these Terms or other Transaction Document (including incur any liability) unless the MVT Note Trustee's liability is limited in the same manner as set out in this Clause 13.
- (i) The provisions of this Clause 13:
 - (i) are paramount and apply regardless of any other provision of the Trust Deed, these Terms, any other Transaction Document or any other instrument, even a provision which seeks to apply regardless of any other provision;
 - (ii) survive and enure beyond any termination of these Terms and the Transaction Documents for any reason; and
 - (iii) are not severable from the Terms.

14. General

14.1. ASX quotation

MVT must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably required to procure the MVT Notes are quoted on ASX on or as soon as possible after their Issue Date, and remain quoted until Redemption.

14.2. Resolutions binding

The Trust Deed contains Clauses relating for convening meetings of the MVT Noteholders to consider any matter affecting their interests including certain variations of these Terms which require the consent of the MVT Noteholders. Resolutions passed at any meeting of the MVT Noteholders will be binding on all MVT Noteholders.

14.3. Governing Law

The laws of New South Wales govern these Terms. MVT and the MVT Noteholder submit to the non-exclusive jurisdiction of courts exercising jurisdiction there.

14.4. Duties and Taxes

MVT must bear any stamp duty payable on or in connection with the issue of the MVT Notes but MVT is not responsible for any duties or taxes which may subsequently become payable in connection with the transfer, conversion, Redemption or any other dealing with the MVT Notes.

15. Notices

15.1. Service of Notices

- (a) A notice may be given by MVT or the MVT Note Trustee to any MVT Noteholder, or in the case of joint MVT Noteholders to the MVT Noteholder whose name appears first in the MVT Note Register:
 - (i) personally;
 - (ii) by leaving it at the MVT Noteholder's address noted in the MVT Note Register or by sending it by prepaid post (airmail if posted to a place outside Australia) addressed to the MVT Noteholder's address noted in the MVT Note Register;
 - (iii) by facsimile transmission to the facsimile number nominated by the MVT Noteholder;
 - (iv) by publishing such notice in a national newspaper;

- (v) by MVT posting, at the request of the MVT Note Trustee, the notice on MVT's internet website;
- (vi) by the MVT Note Trustee posting such notice on its own internet website;
- (vii) by MVT issuing an ASX announcement; or
- (viii) by other electronic means, including by email, determined by MVT or the MVT Note Trustee.

If the notice is signed, the signature may be original or printed.

(b) A notice given by MVT, the MVT Note Trustee or a MVT Noteholder to MVT or the MVT Note Trustee must:

- (i) be in writing and signed by a person duly authorised by the sender; and
- (ii) be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by MVT or MVT Note Trustee, or sent by a facsimile transmission to the fax number below or the fax number last notified by MVT or MVT Note Trustee:

MVT:

Address: Level 11
139 Macquarie Street
Sydney NSW 2000
Attention: Gabriel Radzynski
Facsimile: 02 8084 9918
Email: gabriel@sandoncapital.com.au

or any other address of MVT notified by it from time to time.

MVT Note Trustee: Australian Executor Trustee Limited

Address: Level 22, 207 Kent Street
Sydney NSW 2000
Attention: Corporate Trust
Facsimile: 02 9028 5942

15.2. When notice considered to be received

Any notice is taken to be received:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by prepaid post, on the second Business Day (or, if posted to or from a place outside Australia, the seventh day) after the date of posting;
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error; and
- (d) if published in a national newspaper, by each MVT Noteholder on the date of such publication; and
- (e) if published on a website or by way of ASX announcement, by each MVT Noteholder on the day following the date on which such notice is posted by the MVT Note Trustee or MVT (as applicable) on the website or issued as an ASX announcement (as applicable),

but if the result is that a Notice would be taken to be given or made on a day that is not a Business Day in the place to which the Notice is sent or is later than 5.00pm (local time) it will be taken to have been duly given or made at the commencement of business on the next Business Day in that place.

Annexure A – Redemption Election Notice

A Your name

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

Your holding

Holder Identification Number:
MVT Notes held:

Specimen only
Specimen only

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.

Redemption Election Notice

This form is for use by a holder (**Holder**) to exercise their right to require Mercantile Investment Company Limited (**MVT**) to redeem all or some of the MVT Notes which it holds on the MVT Notes register as at 5:00pm (Sydney time) on 18 June 2021.

To be eligible to exercise your right to redeem your Holding, you must have delivered this in accordance with the Instructions overleaf by no later than 5:00pm (Sydney time) on 18 June 2021.

You may not deal with, transfer, dispose of or create any encumbrance in any MVT Note the subject of a Redemption Election Notice once that Redemption Election Notice has been given.

B You must give your instructions to to redeem your MVT Notes

If you correctly complete, sign and return this form you will be deemed to have exercised your right to require the redemption of ALL or SOME of your MVT Notes as instructed below.

If you wish to redeem ALL of your MVT Notes, mark the first box below. If you wish to redeem SOME of your MVT Notes, mark the second box below, along with the number of MVT Notes you wish to redeem and the Aggregate Value of those MVT Notes. If the Special Resolution is not passed at the Meeting of MVT Noteholders, then ALL of your MVT Notes will be redeemed in full

Face Value – \$A100 per MVT Note

☐

Full redemption - You wish to redeem all of the MVT Notes you hold.

☐

Partial redemption - Please indicate the number of MVT Notes you wish to redeem.

Number of MVT Notes

Face Value

A\$100

at

= A\$

Aggregate Face Value

.00

C Contact details

Please provide your contact name and telephone number in case we need to speak to you about this Redemption Election Notice.

Telephone number where you can be contacted during business hours

Contact name (PRINT)

D You must sign this form for your instructions in this Redemption Election Notice to be executed

I/We, the person(s) named above, wish to exercise my/our rights to require the redemption of MVT Notes as instructed above.

Holder 1 (Individual)

Sole Director & Sole Company Secretary

Holder 2 (Individual)

Secretary/Director (delete one)

Holder 3 (Individual)

Director

Please refer overleaf for further important instructions

REGISTRY USE ONLY

Further Important Instructions

Completion instructions

Please sign this **Redemption Election Notice** in the places for signature(s) set out on the front page and in accordance with the following instructions:

- **Joint shareholders:** If your MVT Notes are held in the names of more than one person, all of those persons must sign this Redemption Election Notice.
- **Corporations:** This Redemption Election Notice 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 Redemption Election Notice is signed under a power of attorney, please attach a certified copy of the power of attorney to this Redemption Election Notice when you return it. If this Redemption Election Notice 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 Redemption Election Notice. When you return this Redemption Election Notice, 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 Redemption Election Notice and any other documents required by the above instructions to:

Mailing Address

Link Market Services Limited
MVT Note Redemption
Locked Bag A14
SYDNEY SOUTH NSW 1235

or

Hand Delivery

Link Market Services Limited
MVT Note Redemption
1A Homebush Bay Drive
RHODES NSW 2138

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

Mercantile Investment Company Limited

ABN 15 121 415 576

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



BY MAIL

Mercantile Investment Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



BY FAX

+61 2 9287 0309



BY HAND

Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000



ALL ENQUIRIES TO

Telephone: 1300 554 474 Overseas: +61 1300 554 474

SRN/HIN:



X99999999999

PROXY FORM

I/We being a noteholder(s) of Mercantile Investment Company Limited (**Company**) and entitled to attend and vote hereby appoint:

APPOINT A PROXY

☐ the Chairman of the Meeting (mark box)

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am on Wednesday, 23 June 2021** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Meeting will be conducted as a hybrid event. You can participate by attending in person at Mont lawyers, Suite 18, 50 Stanley Street, Darlinghurst NSW 2010 or Noteholders will be able to attend the Meeting by going to <https://us02web.zoom.us/j/84640999138> using their web browser or internet enabled device. To join Zoom Meeting, enter **meeting ID: 846 4099 9138** (Refer to details in the Notice of Meeting for full details).

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒.

Special Resolution

1 That pursuant to rule 12.2 of the Note Terms, Noteholders irrevocably and unconditionally:

- consent to and approve a variation of their rights attaching to the Notes by making the amendments to the Note Terms detailed in Sections 2.1 and 2.2 of the Explanatory Memorandum;
- authorise the Company and the Trustee to amend the Note Terms as detailed in Sections 2.1 and 2.2 of the Explanatory Memorandum;
- consent to the Company and pursuant to clause 21.14 of the Trust Deed and all other enabling powers direct the Trustee, to concur in and execute any supplemental deed embodying such modifications and to enter into any and all documents necessary, to give effect to the matters in paragraphs (a) and (b) above;
- authorise the Registry to take such steps as are necessary, to give effect to the matters in paragraphs (a), (b) and (c) above; and
- acknowledge that terms used in this Special Resolution shall have the meanings given to them in the Explanatory Memorandum accompanying the Notice of Meeting.

For Against Abstain*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF NOTEHOLDERS – THIS MUST BE COMPLETED

Noteholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Noteholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Noteholder 3 (Individual)

Director

This form should be signed by the noteholder. If a joint holding, either noteholder may sign. If signed by the noteholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the Trust Deed and the *Corporations Act 2001* (Cth).

MVTHA PRX2101N

HOW TO COMPLETE THIS NOTEHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's note register. If this information is incorrect, please make the correction on the form. Noteholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your notes using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your notes will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of notes you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of notes applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either Noteholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am on Monday, 21 June 2021**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, Noteholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



BY MAIL

Mercantile Investment Company Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138
or
Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)