

Mercantile Investment Company Limited

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4 June 2015
The Manager
Company Announcements
ASX Limited

ASX ANNOUNCEMENT

Bidder's Statement - Off-market bid for AKF by Mercantile OFM Pty Limited

I enclose, in accordance with section 633(1) item 5 of the Corporations Act 2001 (Cth), a copy of the bidder's statement (**Bidder's Statement**) issued by Mercantile OFM Pty Limited (ACN 120 221 623) (**Mercantile OFM**), a wholly owned subsidiary of Mercantile Investment Company Limited, in relation to the issued share capital in Ask Funding Limited (ACN 094 503 385) (**AKF**), being an off-market takeover offer to the AKF shareholders to acquire all of the ordinary shares in AKF.

The Bidder's Statement was lodged with the Australian Securities and Investments Commission and sent to AKF earlier today.

Mark Licciardo
Company Secretary

Bidder's Statement

for the

Off-market cash Offer

by

Mercantile OFM Pty Ltd (Mercantile OFM)

(ACN 120 221 623)

**Mercantile OFM is a wholly owned subsidiary of Mercantile
Investment Company Limited (MVT)**

(ACN 121 415 576)

(ASX Code MVT)

to acquire all the ordinary Shares in

Ask Funding Limited (AKF)

(ACN 094 503 385)

(ASX Code AKF)

for

at \$0.07 cash for each AKF Share

This is an important document and requires your immediate attention.

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

To accept the Offer please complete the enclosed Acceptance Form and use the supplied paid envelope to return the completed Acceptance Form to us. An Acceptance Form will not be accepted if returned by fax or email.

The Offer is dated [•] 2015 and will expire at 7.00pm (Sydney time) on [•] 2015 (unless withdrawn or extended). ASIC takes no responsibility for this Bidder's Statement.

Summary of the Offer

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

The Offer	Mercantile OFM is offering to acquire all of your AKF Shares.
Offer Price	The Offer Price is \$0.07 cash per AKF Share.
Offer Period	The Offer is scheduled to close at 7pm (Sydney time) on [•] 2015 (but it may be extended).
Why accept the Offer?	The Offer allows AKF Shareholders to sell all of their AKF Shareholding at a cash price that represents a discount of 1.8 cents or 20% to 8.8 cents, the last price at which AKF Shares traded prior to the date of this Bidder's Statement.
Minimum acceptance Condition	<p>The Offer is subject to a condition that Mercantile OFM receives sufficient acceptances to increase the Relevant Interest of Mercantile OFM and its Associates in AKF by the end of the Offer Period to or above 90% of the AKF Shares then on issue.</p> <p>Mercantile OFM may choose to waive this Condition in accordance with the Offer.</p> <p>The Offer is subject to no other conditions. In particular, the Offer is not subject to approval by AKF Shareholders in a general meeting.</p>
Payment	<p>If you accept the Offer, you will be paid the cash proceeds, by the later of:</p> <ul style="list-style-type: none">(a) the date 1 month after you validly accept the Offer; and(b) 1 month after the date the Offer becomes or is declared unconditional, <p>but any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.</p>
Mercantile OFM existing shareholding in AKF	<p>As at the date of the Offer, Mercantile OFM and its Associates have a Relevant Interest in 13,182,748 AKF Shares and Voting Power of 19.9%. See Section 8.3 for details.</p>

The above information is a summary only of key elements of this Bidder's Statement. AKF Shareholders should read all of this Bidder's Statement before making any decision in relation to the Offer.

How to accept the Offer

There are different ways to accept the Offer depending on how you hold your AKF Shares. See Section 1.6 for details.

Why you should accept the Offer

1. Cash offer

The Offer is \$0.07 cash per AKF Share (**Offer Price**) and is for all of the AKF Shares that Mercantile OFM does not already own.

The Offer Price represents a 1.8 cent or 20% discount to 8.8 cents, the last price at which AKF Shares traded on ASX prior to the date of this Bidder's Statement.

2. Cash paid under the offer provides certainty compared to retaining AKF Shares

The certainty of receiving 7.0 cents per AKF Share in cash should be considered against the risks and uncertainties of remaining an AKF Shareholder, including the uncertainty of AKF's ability to make cash returns, or for the AKF Board to realise value for AKF Shareholders from AKF's listing on ASX.

On 14 May 2015, AKF provided a market update on the progress of the collection of its loans outstanding (**May Market Update**). It reported that the AKF net loan book as at 31 March 2015 was \$5.6 million (equivalent to approximately 8.45 cents per AKF Share). AKF also advised that its dispute with the borrower and guarantors of a "Single Matrimonial Loan" has been settled and that the parties have agreed to pay AKF the sum of \$2 million on or before 15 January 2016.

That net loan book amount included the \$2 million "Single Matrimonial Settlement", however while AKF advised that it believes that the terms of the settlement will be performed, AKF also noted that there is a risk the borrower and the guarantors will not perform their obligations and pay the \$2 million by 15 January 2016. Mercantile draws the attention of AKF Shareholders to the statement that AKF's belief that the balance of the Net Loan Book will be collected by June 2016 is "based on information currently available" and subject to inherent credit risk. In the market update that accompanied the release of its half year results on 27 February 2015, AKF noted that at that time "the unpredictable and inconsistent cash flow derived from the loan book makes it very difficult for the Board to predict the likely amount and timing of future distributions to shareholders." The Offer presents an opportunity for AKF Shareholders to receive a certain cash amount for their AKF Shares.

Mercantile OFM believes the current market price of AKF Shares may be higher than the amounts finally distributed to AKF Shareholders, as there remain risks associated with the collection of the monies outstanding. There are also significant expenses associated with AKF remaining a listed entity; these expenses are not reflected in the value of AKF's net loan book.

3. The Offer provides certainty of value for all of your AKF Shares

The Offer is an offer to acquire all of your AKF Shares for cash.

4. You will not incur any brokerage costs in accepting the Offer

By accepting the Offer you will not incur any brokerage charges if your AKF Shares are registered in an issuer sponsored holding (you may incur brokerage fees if you choose to sell your AKF Shares on-market or you instruct your Controlling Participant to accept the Offer on your behalf).

5. Liquidity and ASX trading in AKF Shares

AKF Shares currently exhibit very low volumes of trading on ASX. As such, there may be little opportunity to dispose of your AKF Shares in a liquid market. The Offer provides an opportunity for AKF Shareholders to sell all of their AKF Shares in circumstances where AKF Shares are otherwise very thinly traded.

In the 12 month period to 3 June 2015, the average daily value of AKF Shares traded on ASX was only \$16,943. AKF Shares only traded on 85 of the available 254 trading days in the 12 months to 3 June 2015. Of these, Mercantile OFM and its Associates traded in 5,200,000 AKF Shares representing 14.5% of the total AKF Shares traded (35,752,562) in this period.

In the four months to 3 June 2015, 6,298,972 AKF Shares traded. Depending on the level of acceptances Mercantile OFM receives under the Offer, the market for AKF Shares may become illiquid following the Offer.

The AKF Board has announced that if sufficient support is expressed, AKF will convene a meeting of AKF Shareholders and put forward a resolution for the de-listing of AKF the Official List of the ASX (the **Delisting Proposal**). If that meeting is held, Mercantile OFM and its Associates currently intend to vote in favour of such a resolution, in the absence of any superior proposal.

If AKF Shares are delisted, AKF Shareholders will have limited opportunity to dispose of their AKF Shares.

6. Risks of not accepting

After the Offer closes, if Mercantile OFM holds a Relevant Interest in less than 90% of AKF, AKF Shares may trade at a discount to the Offer Price.

The AKF Board has announced that there are disproportionate costs associated with AKF remaining listed on ASX. If AKF were to remain listed, these costs are expected to consume an increasingly large proportion of AKF's revenues and net assets.

Depending on what level of acceptances Mercantile OFM receives, the market for your AKF Shares may be more illiquid after the Offer.

In addition, if the Delisting Proposal is approved, AKF Shares would no longer trade on the ASX and it would become even more difficult for investors to realise any value from their AKF Shareholding.

If under the Offer Mercantile OFM acquires a Relevant Interest in at least 90% of AKF, it intends to exercise its entitlement to compulsorily acquire the remaining AKF Shares. If your AKF Shares are compulsorily acquired you will be paid later than AKF Shareholders who accept the Offer.

Important information

Important dates

Event	Date
Date of this Bidder's Statement	[•] June 2015
Dispatch of Bidder's Statement and Offer opens	[•] June 2015
Date of Offer conditions notice	[•] July 2015
Close of Offer*	[•] July 2015

* This date is indicative only and may be changed as permitted by the Corporations Act.

Bidder's Statement and Offer

This is a bidder's statement dated 4 June 2015 given by Mercantile OFM to AKF and each AKF Shareholder under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a unanimous resolution of the board of directors of Mercantile OFM. It includes an Offer for the AKF Shares dated [•] June 2015. The Offer relates to all AKF Shares that exist on 4 June 2015.

ASIC

A copy of this Bidder's Statement was lodged with ASIC on 4 June 2015. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

Investment decision

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

Disclaimer

Except for historical information contained in this Bidder's Statement, there may be matters discussed in this Bidder's Statement that are forward-looking statements. Such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which the Mercantile and AKF operate as well as general economic conditions and prevailing exchange rates and interest rates. Actual events or results may differ materially. For a discussion of important risk factors which could cause actual results to differ materially from such forward-looking statements, refer to Section 6 of this Bidder's Statement.

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

Defined terms

Defined terms used in this Bidder's Statement are capitalised. Definitions of these terms are set out in Section 10. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 10, words and phrases in the Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Sources of Information

Information included in this Bidder's Statement relating to AKF and its business has been derived solely from publicly available sources published by AKF, including annual and half yearly financial reports and ASX announcements.

Subject to the foregoing and to the maximum extent permitted by law, Mercantile OFM and its Directors disclaim all liability for any information concerning AKF including in this Bidder's Statement. AKF Shareholders should form their own views concerning AKF from publicly available information.

Privacy

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

1. Main features of the Offer

This Section sets out a summary of the main features of the Offer. It is qualified by the detailed information contained in the remainder of the Bidder's Statement.

1.1. The Offer

The Offer is being undertaken by way of an off-market takeover bid. The Offer is a takeover offer for all of the issued Shares of AKF. Appendix A of this Bidder's Statement contains the terms of the Offer. The remainder of this Bidder's Statement contains other information known to Mercantile OFM which is relevant to your decision as to whether to accept or reject the Offer.

1.2. What is Mercantile OFM Offering for my AKF Shares?

The Offer is a cash offer of \$0.07 per AKF Share for all of the AKF Shares you own.

The Offer extends to AKF Shares on issue on 4 June 2015.

1.3. Foreign Shareholders

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer.

1.4. Will I pay any brokerage or stamp duty if I accept any of the Offer?

You will not pay brokerage or stamp duty as a result of accepting the Offer (you may incur brokerage fees if you choose to sell your AKF Shares on market or you instruct your Controlling Participant to accept the Offer on your behalf).

1.5. When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on [•] July 2015, unless extended or withdrawn in accordance with the Corporations Act.

At this point in time Mercantile OFM intends to proceed to compulsory acquisition of the remaining AKF Shares if it is entitled to do so under the Corporations Act.

1.6. How do I accept the Offer?

There are different ways to accept the Offer depending on how you hold your AKF Shares.

For CHESS Holdings

Instruct your stockbroker or other Controlling Participant to initiate acceptance of the Offer on your behalf in sufficient time for the Offer to be accepted before the end of the Offer Period.

Alternatively, you may complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

**Mercantile OFM – AKF Offer
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000**

An Acceptance Form will not be accepted if returned by fax or email.

For Issuer Sponsored Holdings

Complete and sign the accompanying Acceptance Form in accordance with instructions on that form and within this Bidder's Statement and return it so it is received before the end of the Offer Period to:

**Mercantile OFM – AKF Offer
Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000**

An Acceptance Form will not be accepted if returned by fax or email.

The Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Offer. The requirements on the Acceptance Form must be observed in accepting the Offer.

You may only accept the Offer for all of your AKF Shares.

1.7. What is the Condition to the Offer?

The Offer is subject to a condition that Mercantile OFM receives sufficient acceptances to increase the Relevant Interest of Mercantile OFM and its Associates in AKF by the end of the Offer Period to or above 90% of the AKF Shares then on issue.

Mercantile OFM may choose to waive this Condition in accordance with the Offer. If the Condition is not waived or satisfied, then the Offer will not proceed.

The Offer is subject to no other conditions. In particular, the Offer is not subject to approval by AKF Shareholders in general meeting.

1.8. When will I be paid my Offer Consideration?

Mercantile OFM will provide or procure the provision of the Offer Consideration for all Offers that are accepted on or before the later of:

- (a) the date 1 month after the date you validly accept this Offer; and
- (b) 1 month after the date the Offer becomes or is declared unconditional,

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

1.9. What happens if I do not accept?

If Mercantile OFM does not compulsorily acquire your AKF Shares, unless you otherwise dispose of them, you will remain an AKF Shareholder.

A risk of remaining an AKF Shareholder is that the potential market for AKF Shares after the Offer could be even less liquid, and in the event AKF is delisted, it will be even more difficult for AKF Shareholders to realise any value from their investment.

You should consider the potential risks of remaining a Shareholder in AKF as discussed in Section 6.

1.10. What are the tax consequences of the Offer?

Our understanding of the major tax implications for AKF Shareholders resident for tax purposes in Australia are summarised in Section 7.

Your personal financial and other circumstances will influence your taxation position. You should read Section 7 carefully and seek professional taxation advice if necessary.

1.11. Questions

If you have any enquiries about the Offer or its terms, please submit your query in writing to Mercantile OFM at Level 11, 139 Macquarie Street, Sydney NSW, 2000, by fax on 02 8084 9918, or consult your financial or other professional advisor.

2. About Mercantile OFM

2.1. Corporate

Mercantile OFM is a wholly owned subsidiary of Mercantile Investment Company Ltd (**MVT**). MVT is an ASX listed investment company trading under ASX code MVT.

2.2. Directors of Mercantile OFM and MVT.

The Directors of Mercantile OFM are:

- Sir Ron Brierley – non-executive Chairman;
- Mr James Chirnside – non-executive director; and
- Mr Gabriel Radzyminski – non-executive director

The Directors of MVT are:

- Sir Ron Brierley – non-executive Chairman;
- Mr James Chirnside – non-executive director;
- Mr Ron Langley – non-executive director;
- Mr Gabriel Radzyminski – non-executive director;
- Daniel Weiss – non-executive director; and
- Dr Gary Weiss – alternate director for Daniel Weiss.

2.3. Public announcements by MVT

MVT is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require MVT to:

- (a) prepare and lodge with the ASX both yearly and half-yearly financial statements accompanied by a directors' statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning MVT of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in MVT, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at the ASIC in relation to MVT may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to MVT may be obtained from the ASX website (www.asx.com.au).

2.4. Benefits for AKF Shareholders

The key benefit for AKF Shareholders accepting the Offer is that they will be able to realise \$0.07 per AKF Share for all of their AKF Shareholding, in cash. This will allow all AKF Shareholders seeking to exit their investment in AKF to obtain 7 cents per AKF Share in cash. Shareholders who accept this Offer will no longer be exposed to the risks and uncertainties of future loan recoveries by AKF.

3. AKF

3.1. Disclaimer

The following description of AKF and the financial information concerning AKF contained in this Section 3 have been prepared by Mercantile OFM using publicly available information. Information in this document concerning AKF's business has not been independently verified and Mercantile OFM has not conducted any due diligence on AKF's business. To the extent permitted by law, Mercantile OFM does not make any representation or warranty, express or implied, as to the currency, accuracy or completeness of such information.

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

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

3.2. Overview of AKF and its principal business authorities

AKF is undertaking a run-off strategy, which was approved by AKF Shareholders in 2011. The run-off involves the servicing and amortisation of AKF's loan book with a view to distributing all surplus funds to AKF Shareholders.

3.3. Directors

As at the date of this Bidder's Statement, there are 3 AKF Directors, being:

- Mr Kenneth Rich (Chairperson and Independent Non-Executive Director)
- Mr Russell Templeton (Managing Director and Chief Executive Officer)
- Mr Misha Collins (Independent Non-Executive Director)

3.4. Major AKF Shareholders

As at the date of this Bidder's Statement, substantial shareholder notices received by AKF and released to the market through ASX disclose the following substantial shareholders:

Name	Number of Shares	Percentage of issued capital
Mercantile	13,182,748	19.9%
Elizabeth Helen Collison	3,346,189	5.1%
Mr S and Mrs K Evans	9,000,000	13.7%
Sandon Capital Pty Limited	4,293,147	6.5%
Macquarie Group Limited	3,305,723	5.0%
Wilson Asset Management Group	3,493,213	5.3%

3.5. Overview of AKF's historical financial performance

A summary of the historical consolidated financial performance of AKF and its previously controlled entities since 2011 is set out below¹:

A\$'000	1H 2015	2014	2013	2012	2011
Revenue ²	1,315.5	2,914.9	4,371.0	7,233.6	9,790.9
Operating expenses ³	(690.5)	(1,448.4)	(2,073.5)	(3,269.7)	(6,409.2)
Other expenses ⁴	(880.8)	(2,640.9)	(3,107.6)	(4,515.5)	(13,434.1)
Income tax expense	0.0	0.0	0.0	0.0	(1,106.9)
Operating losses after tax attributed to members of the parent entity	(255.8)	(1,174.4)	(810.1)	(551.6)	(11,159.3)

Notes:

1. The above information has been drawn from the audited financial statements for AKF and its controlled entities and associated disclosure included in its annual reports for the years ended 30 June 2011, 2012, 2013 and 2014 and the half year ended 31 December 2014. The above amounts have been rounded as set out in annual reports (to the nearest \$1,000).
2. Revenue includes net interest income, fee income and other operating gains/(losses) as disclosed in those annual reports.
3. Operating expenses does not include loan and intangible asset impairments and foreign exchange losses.
4. Other expenses include loan and intangible asset impairments and foreign exchange losses.

3.6. AKF commentary on financial results

In its annual report for the 2014 financial year, AKF reported that it had engaged in no lending activities in the reporting period. AKF's activities, since the closure of all loan books, have been restricted to the servicing and amortising of its loan books, with the sole objective being to repaying amounts owed to the Bank of Western Australia Limited (repaid 3 January 2014) and distributing all surplus funds to AKF Shareholders. AKF's average loan duration has been running in excess of those assumed in AKF's financial model for targeting total return of funds to AKF Shareholders, but the AKF Directors announced that they do not believe it viable to engage external resources to build a new financial model to forecast targeted return. AKF Shareholders were advised to consider net tangible assets as a reasonable estimate of likely future cash distributions.

AKF reported a consolidated loss after tax and amortisation for the 12 months ended 30 June 2014 of \$1,174,000.

The 2014 annual report stated that AKF's balance sheet had contracted, reflecting the closure of all loan books to further advances.

AKF has announced that the costs of remaining an ASX listed entity are "disproportionate". AKF announced that the AKF Board is currently reviewing all overheads, including compliance costs with a view to reducing operating costs as the loan book reduces.

By way of example, in the 2014 financial year, AKF incurred the following operating expenses:

Employee benefits expenses	\$442,324
Loan recovery expenses	\$582,943
IT expenses	\$62,202
General & administrative expenses	\$358,939
Total	\$1,446,408

Source: annual report for the year ended 30 June 2014

In its half year report for the period ended 31 December 2015, AKF reported a net loss after tax of \$0.25 million. This result included a negative \$0.43 million present value adjustment, bringing the

total net present value adjustment to \$0.71 million. The AKF Directors noted that “if the current loan recovery forecasts are achieved, the majority of the net present value adjustment will reverse during the course of 2015 and 2016 financial years and result in increased profits than would otherwise be reported in future periods”.

In the May Market Update, AKF advised that its Board will be canvassing significant AKF Shareholders to gauge their attitude to the possible removal of AKF from the official list of the ASX. They state that if there is sufficient support expressed, AKF will convene a shareholders’ meeting to consider a resolution to delist AKF.

Mercantile OFM understands that a large proportion of the general and administrative expenses are attributable to maintaining the ASX listing, including listing fees, directors’ fees and audit fees.

Mercantile OFM concurs with the AKF Board that, in the absence of a superior proposal these costs are disproportionate to AKF’s asset base, and Mercantile OFM currently intends to support the delisting resolutions that are expected to be put to AKF Shareholders by the AKF Board.

3.7. ASX Announcements and ASIC disclosure

AKF is a disclosing entity for the purposes of Section 111AC(1) of the Corporations Act and as such, is subject to regular reporting and disclosure obligations. Broadly, these obligations require AKF to:

- (a) prepare and lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors’ statement and report and an audit or review report; and
- (b) immediately notify the ASX of any information concerning AKF of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities in AKF, subject to certain limited exceptions related mainly to confidential information.

Copies of documents lodged at ASIC in relation to AKF may be obtained from or inspected at an office of ASIC. Copies of documents lodged with the ASX in relation to the Company may be obtained from, or inspected at, an office of the ASX.

Since announcing its annual report for the year ended 30 June 2014, AKF has issued the following announcements to the ASX:

Date	Announcement
14/05/2015	Market Update
27/02/2015	Market Update and Half Year Accounts
26/02/2015	Becoming a substantial holder
03/12/2014	Change in substantial holding
26/11/2014	Results of 2014 AGM
3/12/2014	Change in substantial holding
26/11/2014	Results of 2014 AGM
29/10/2014	Annual Report to Shareholders
29/10/2014	Proxy Form
29/10/2014	Notice of Annual General Meeting
20/10/2014	Change in substantial holding
17/10/2014	Change in substantial holding
16/10/2014	Ceasing to be a substantial holder
16/10/2014	Distribution of Funds to Shareholders

13/10/2014	Change in substantial holding
10/10/2014	Change in substantial holding
09/10/2014	Change in substantial holding from MVT
06/10/2014	Change in substantial holding

3.8. AKF Options

Senior employees of AKF were eligible to participate in a share scheme under which they may be issued options to acquire AKF Shares. As at the date of this Bidder's Statement, no AKF Options were on issue to employees of AKF and those previously granted on 23 November 2007 had expired on 23 November 2012.

4. Mercantile OFM's Intentions

4.1. General

This Section 4 sets out Mercantile OFM's intention in relation to:

- (a) the continuation of the AKF business;
- (b) any significant changes to be made to the AKF business, including any redeployment of AKF's fixed assets; and
- (c) the future employment of AKF's employees.

Mercantile OFM's intentions are based on the information known and the circumstances that exist at the date of this Bidder's Statement.

Mercantile OFM has reviewed information in the public domain concerning AKF, its business and the general business environment in which it operates. Based on its review of that material, and on its current assessment of AKF's operations Mercantile OFM's intentions in relation to AKF are summarised below. Statements set out in this Section are statements of current intentions only, which may change as new information becomes available or circumstances change.

4.2. Rationale for the Offer

AKF cannot continue to remain as a listed entity, given the disproportionate costs associated with it remaining listed. The Offer provides all AKF Shareholders with an opportunity to realise their investment in AKF Shares for \$0.07 per AKF Share cash in a timely manner. In the absence of the Offer, AKF Shareholders will have to be prepared to remain in a company that (even in an unlisted form) will likely incur disproportionate compliance costs, including directors' fees and audit costs.

4.3. Strategic review

As Mercantile OFM does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, Mercantile OFM proposes to conduct a review of AKF's strategy, operations, activities, assets and employees in light of the information which then becomes available (**Review**).

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change.

4.4. Mercantile OFM's intentions upon acquisition of 90% or more of AKF Shares

This Section sets out Mercantile OFM's intentions if it acquires 90% or more of AKF Shares and becomes entitled to proceed to compulsory acquisition under the Corporations Act for the AKF Shares.

- (a) At this point in time Mercantile OFM intends to proceed to compulsory acquisition of the remaining AKF Shares if it is entitled to do so under the Corporations Act.
- (b) Mercantile OFM will seek to remove AKF from the Official List, if AKF Shareholders have not already approved delisting prior to the close of the Offer.
- (c) Mercantile OFM intends to replace all non-executive members of the AKF Board with nominees of Mercantile OFM. If Mercantile OFM does not proceed with compulsory acquisition of the AKF Shares it does not own, it will undertake the actions referred to in Section 4.5(b).

- (d) Mercantile OFM intends to undertake the Review.
- (e) Subject to the outcome of the Review, Mercantile OFM expects to continue to operate AKF's business in substantially the same manner as it is presently operated by AKF. The results of the Review and any corresponding recommendations will be discussed with management.
- (f) If AKF achieves profitability, Mercantile OFM would also propose, through its nominees on the AKF Board, to review AKF's dividend policy.
- (g) Mercantile OFM may at, at some later time, acquire further AKF Shares in a manner consistent with the Corporations Act.

4.5. Mercantile OFM's intentions upon acquisition of more than 50.1% but less than 90% of AKF Shares

This Section sets out Mercantile OFM's intentions if, by virtue of acceptance of the Offer, Mercantile OFM was to gain effective control of AKF without becoming entitled to compulsorily acquire the outstanding AKF Shares.

In the event that Mercantile OFM achieves a Relevant Interest in AKF of more than 50.1% but less than 90%, Mercantile OFM's current intentions are as set out below.

- (a) AKF will become a controlled entity of Mercantile OFM.
- (b) Subject to the Corporations Act and the Review, Mercantile OFM proposes to seek the appointment of a majority of Mercantile OFM nominees to the AKF Board although it has not made any decision as to who would be nominated for appointment. Mercantile OFM may also seek to add to, replace or reorganise the roles of a proportion of the members of the AKF Board to reflect the proportionate ownership interest of Mercantile OFM and other AKF Shareholders. Mercantile OFM also proposes to maintain representation of minority shareholders by at least two independent directors.
- (c) Mercantile OFM will seek to remove AKF from the Official List, if AKF Shareholders have not already approved delisting prior to the close of the Offer.
- (d) Mercantile OFM intends to undertake the Review.
- (e) Mercantile OFM intends to undertake the activities referred to in Sections 4.4(e) and 4.4(f) to the extent permitted by its control of AKF.
- (f) Mercantile OFM may at, at some later time, acquire further AKF Shares in a manner consistent with the Corporations Act.
- (g) If Mercantile OFM becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.

4.6. Mercantile OFM's intentions upon acquisition of less than 50% of AKF Shares

If Mercantile OFM does not achieve a Relevant Interest in AKF of 50%, Mercantile OFM will endeavour, to the extent possible through its non-controlling holding of AKF Shares, to give effect to the intentions set out in Sections 4.5(b) - 4.5(f). However, Mercantile OFM considers that its ability to effect the intentions set out in Sections 4.5(b), 4.5(d) and 4.5(e) will be significantly limited if Mercantile OFM is unable to achieve a Relevant Interest in AKF of more than 50%.

Mercantile OFM may consider acquiring additional AKF Shares under the "creep" provisions of Item 9 in Section 611 of the Corporations Act (which provides that Mercantile OFM and its Associates may acquire up to 3% of AKF Shares every 6 months) until it achieves a majority Voting Power. Mercantile OFM has not yet decided whether it will acquire further AKF Shares as this will depend upon the extent to which Mercantile OFM has the capacity to acquire further AKF Shares and market conditions at that time.

4.7. Intentions generally

Except for the changes and intentions set out in Section 4, Mercantile OFM intends, based on the information presently known to it:

- (a) to continue AKF's run-down strategy;
- (b) not to make any major changes to AKF's business (other than to implement the initiatives previously announced by AKF through ASX) or the deployment of AKF's assets; and
- (c) AKF currently has no employees, although Mercantile OFM intends to retain the existing consultancy arrangements with Mr Templeton and Mr Gebauer on terms acceptable to the parties.

4.8. Limitations on intentions

The intentions and statements of future conduct set out in this Section 4 must be read as being subject to:

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

5. Sources of Bid consideration

5.1. Consideration under the Offer

The total amount that Mercantile OFM would be required to pay for AKF Shares if Mercantile OFM acquires all of the AKF Shares on issue on the date of this Bidder's Statement in which it does not have a Relevant Interest is \$3,694,094.

5.2. Commitment of Mercantile OFM funding

Mercantile OFM has received a letter of commitment from MVT, under which MVT has committed to loan Mercantile OFM, on an unsecured basis, the funds necessary to pay the Offer consideration. This loan must be repaid by Mercantile OFM one year after the closing date of the Offer. Interest on this loan will accrue at the Reserve Bank of Australia cash rate. MVT holds in excess of \$5.8 million in cash as at the date of this Bidder's Statement.

Funds made available to Mercantile OFM under that Commitment Letter:

- are immediately available and are not subject to any conditions or limitations to drawdown; and
- are sufficient to fund the maximum available amount of consideration payable under the Offer and all associated transaction costs.

The Offer is not subject to a financing condition.

6. Risk factors

6.1. Risk factors associated with selling AKF Shares

AKF Shareholders who accept the Offer will receive cash as their Offer Consideration. Those who accept the Offer will no longer be exposed to the risks associated with successfully realising AKF's assets.

6.2. Risks relating to the Offer

The following risk factors may arise as a result of the Offer and the acquisition of AKF Shares by Mercantile OFM.

AKF information

In preparing the information on AKF included in this Bidder's Statement, Mercantile OFM has relied only on publicly available information. Mercantile OFM has not otherwise had direct access to AKF or its independent accountant. In addition, it is possible that additional risks may exist in relation to AKF's businesses which are unknown to Mercantile OFM.

Minority Shareholders in AKF

If you do not accept the Offer you may, depending on the level of acceptance of the Offer, become part of a minority in AKF. In such a case, the liquidity of AKF Shares may be diminished.

As a minority investor, you may be exposed to the risks that AKF is unable to recover the balance of its outstanding loan book.

Taxation risks

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

Taxation considerations

The effects of taxation can be complex and may change over time. A summary of the current Australian income tax implications associated with acceptance of the Offer is outlined in Section 7. However, this summary is general in nature and, as the circumstances for each AKF Shareholder may vary. AKF Shareholders should seek professional taxation advice in relation to their own position.

This list is not exhaustive and AKF Shareholders should read this Bidder's Statement in full. If AKF Shareholders require further information on these risks, they should seek professional advice.

Ability to exercise effective control

Mercantile OFM may acquire the ability to effectively control all decisions regarding AKF's future operations. This will be dependent upon the level of acceptances of the Offer and any other AKF Shares that may be acquired by Mercantile OFM on-market or otherwise in accordance with the Corporations Act.

Potential impact on subsequent bids

Mercantile OFM's shareholding may become of such a size that a third party would not be able to successfully make a takeover bid for AKF without the support of Mercantile OFM, meaning that it may be less likely that AKF's Share price will reflect a control premium in the future.

Potential reduced liquidity

The liquidity of AKF Shares may be lower than they are at present if AKF Shareholders accept the Offer.

6.3. Specific risks relating to retaining AKF Shares

Irrespective of the outcome of the Offer, AKF Shareholders will retain exposure to the risks associated with AKF's recovery of loans outstanding.

AKF's loan recovery activities are subject to risks. Some of the specific risks can be mitigated through the use of safeguards and contingency plans. However, many risks are outside the control of AKF and the AKF Directors and cannot be mitigated. The occurrence of any of the risk factors set out in this Section 6 may have an adverse impact on the financial performance of AKF and the value of AKF Shares.

Investors should appreciate that owning AKF Shares involves various risks which can be broadly categorised into general investment risks and specific business risks.

An outline of some of the specific business risks facing AKF are as set out below:

6.4. General risks relating to retaining AKF Shares

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

These are risks of investment that are considered beyond the control of AKF.

Possible volatility of AKF Share price

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

Macroeconomic risks

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

Regulatory changes

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

6.5. Note on risk factors

The above list of general and specific risk factors should not be taken as exhaustive of the risks faced by AKF or by AKF Shareholders. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of AKF and the value of the AKF Shares.

7. Taxation implications

7.1. Introduction

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

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

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

7.2. Acceptance of the Offer and disposal of AKF Shares

The disposal of AKF Shares by an AKF Shareholder under the Offer constitutes a Capital Gains Tax (CGT) event for Australian income tax purposes.

AKF Shareholders may realise a capital gain or a capital loss in respect of the disposal of their AKF Shares.

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

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

The availability of indexation or a CGT discount in calculating the amount of the capital gains included in assessable income depends on the date of acquisition of the AKF Shares whether the Shareholders are companies or individuals and the choice made by these AKF Shareholders.

If AKF Shares are held by an individual and:

- they were acquired after 11.45am on 21 September 1999; and
- have been held for more than 12 months before the date on which the AKF Shareholder accepted the Offer,

then the CGT discount referred to above should generally be available.

There is no entitlement to indexation of the cost base for the AKF Shareholder in these circumstances.

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

All AKF Shareholders should obtain their own independent professional taxation advice.

7.3. Stamp duty

All Australian States and Territories currently exempt the transfer of shares quoted on a recognised stock exchange from stamp duty. Therefore, no stamp duty should be payable on the transfer of AKF Shares under the Offer.

7.4. GST

On the basis of current GST law, the disposal of AKF Shares under the Offer would not be subject to GST, with the exception of GST payable on any brokerage charged for carrying out your instructions.

8. Information on AKF Securities

8.1. AKF capital structure

As at the date of this Bidder's Statement, there are 65,955,515 AKF Shares on issue.

As at the date of this Bidder's Statement, there are no AKF Options on issue.

8.2. AKF Share trading

AKF Shares are thinly traded. In the 12 month period to 3 June 2015, the average daily value of AKF Shares traded on ASX was only \$16,943. AKF Shares only traded on 85 of the available 254 trading days in the 12 months to 3 June 2015. Of these, Mercantile OFM and its Associates traded in 5,200,000 AKF Shares representing 14.5% of the total AKF Shares traded (35,752,562) in this period.

Over the 12 months to 3 June 2015, the last trading day before the date of this Bidder's Statement, AKF Shares have traded in the range of 7.7 cents (11 March 2015) to 18 cents (17 July 2014). The average daily volume of AKF Shares traded in this period was 140,758 shares.

Set out below is the highest price, lowest price and volume weighted average price at which AKF Shares have traded over the periods specified below.

Period	Highest Price	Lowest Price	VWAP
3 months to the Announcement Date	8.8 cents	7.8 cents	7.9 cents
1 month to the Announcement Date	8.8 cents	7.8 cents	8.5 cents
5 trading days to the Announcement Date	Did not trade	Did not trade	Did not trade

8.3. Interests of Mercantile OFM and Associates in AKF

As at the date of this Bidder's Statement, Mercantile OFM has a Relevant Interest in 13,182,748 AKF Shares.

Accordingly, as at the date of this Bidder's Statement, Mercantile OFM and its Associates have Voting Power in AKF of 19.9%.

8.4. No collateral benefits

Except as set out below, neither Mercantile OFM nor any of its Associates has, during the period of four months ending on the day immediately before the date of this Bidder's Statement, given, or offered or agreed to give, a benefit to another person likely to induce the other person, or an Associate, to:

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

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

8.5. No escalation agreements

Neither Mercantile OFM nor any of its Associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act

8.6. AKF Shares

In the 4 months prior to the date of this Bidder's Statement, there have been no dealings in AKF Shares by Mercantile OFM, its Associates, Mercantile OFM's Directors or their related entities.

9. Additional information

9.1. Conditions

The Offer is conditional only on the number of AKF Shares in which Mercantile OFM and its Associates have a Relevant Interest in AKF at expiry of the Offer Period is not less than 90%.

Mercantile OFM may choose to waive this Condition in accordance with the Offer. If the Condition is not waived or satisfied, then the Offer will not proceed.

9.2. Date for determining holders of AKF Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of section 633(1) is 5 June 2015.

9.3. ASIC modifications and exemptions

ASIC has published various other class order instruments providing for modifications and exemptions that apply generally.

Mercantile OFM has relied, under Class Order 13/521 "Takeover bids" by ASIC, on the modifications to Section 624(2) of the Corporations Act, by paragraphs 4(f) and (g) of the Class Order. These paragraphs are concerned with clarifying the timing issues related to the closing time for offer periods that are automatically extended under the Corporations Act.

Mercantile OFM will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to AKF Shareholders who request them before the end of the Offer Period. To obtain a copy of these documents (or the relevant extracts) AKF Shareholders should contact Mercantile OFM on (02) 8014 1188 between 9am and 5pm (Sydney time) Monday to Friday.

9.4. Consents

MVT has given and before lodgement of this Bidder's Statement has not withdrawn its written consent to be named in the form and context in which it is named.

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

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

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

- (a) has not authorised or caused the issue of the Bidder's Statement;
- (b) does not make, or purport to make, any statement in this Bidder's Statement other than as specified in this Section; and
- (c) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding and takes no responsibility for, any part of this Bidder's Statement other than the reference to its name and the statements (if any) included in this Bidder's Statement with the consent of that party as specified in this Section.

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Under ASIC Class Order CO 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those

documents (free of charge) please contact Mercantile OFM by fax on 02 8084 9918 or in writing at Level 11, 139 Macquarie Street, Sydney NSW, 2000.

9.5. Other material information

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

10. Definitions and interpretation

10.1. Definitions

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

\$	Australian Dollars.
Acceptance Form	The acceptance form for the Offer accompanying this Bidder's Statement.
AKF Board	The board of Directors of AKF.
AKF Director	A director of AKF.
AKF Share	An ordinary Share in AKF.
AKF Shareholder	A registered holder of AKF Shares.
AKF Shareholding	The AKF Shares which a AKF Shareholder is recorded on the register of members of AKF as holding.
Announcement Date	4 June 2015 being the date on which Mercantile OFM announced that it intended to undertake an off-market takeover bid for AKF.
ASIC	Australian Securities and Investments Commission.
Associate	Has the same meaning given to that term in section 9 of the Corporations Act.
ASX	ASX Limited (ABN 98 008 624 691) or the financial products market, Australian Securities Exchange, as the context requires.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers the CHESS system in Australia.
ASX Settlement Operating Rules	The settlement rules of ASX Settlement, a copy of which is available at www.asx.com.au .
Bidder's Statement	This bidder's statement dated 4 June 2015.
Broker	A person who is a share broker and a participant in CHESS.
Business Day	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
CGT	Capital gains tax.
CHESS	The Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.
CHESS Holder	A person who has a CHESS Holding.
CHESS Holding	A holding of AKF Shares on the CHESS subregister of AKF.
Condition	The condition of the Offer being the condition set out in Clause 7.1 of Appendix A.

controlled entity	Has the meaning given to that word in the Corporations Act.
Controlling Participant	The Broker who is designated as the controlling participant for Shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.
Corporations Act	The Corporations Act 2001 (Cth).
Encumbrance	<p>An interest or power:</p> <ul style="list-style-type: none"> (a) reserved in or over an interest in any asset including, without limitation, any retention of title; or (b) created or otherwise arising in or over any interest in any asset under a bill of sale, mortgage, charge, lien, pledge, trust or power, <p>by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.</p>
Foreign Law	A law of any jurisdiction other than an Australian jurisdiction.
Foreign Shareholder	Any AKF Shareholder whose address in AKF's register of members is a place outside Australia and its external territories, to whom it is unlawful for the Mercantile OFM to make the Offer or for whom it is unlawful to accept the Offer.
Governmental Agency	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
Mercantile OFM Director	A director of Mercantile OFM.
MVT Director	A director of MVT.
MVT	Mercantile Investment Company Limited (ACN 120 221 623).
Offer	The offer to acquire AKF Shares set out in Appendix A sent or to be sent to the holders of AKF Shares (or persons entitled to receive those offers under the Corporations Act).
Offer Consideration	Consideration offered by Mercantile OFM for AKF Shares, being \$0.07 per AKF Share.
Offer Period	The period for which the Offer remains open as set out in Section 2 of Appendix A.
Registry	Link Market Services Limited (ACN 083 214 537).
Relevant Interest	Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
Rights	All accretions, rights or benefits of whatever kind attaching to or arising from AKF Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock Shares, notes, bonds, options or other securities, declared, paid or issued by AKF or any of

its controlled entities.

Security

Has the meaning as given in Section 92 of the Corporations Act.

Voting Power

Has the same meaning given to that term in section 610 of the Corporations Act.

11. Interpretation

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

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

12. Approval of Bidder's Statement

This replacement bidder's statement has been approved by a unanimous resolution of the Mercantile OFM Directors.

Dated 4 June 2015

Signed

A handwritten signature in black ink, appearing to be 'G. Radzynski', written in a cursive style.

For and on behalf of Mercantile OFM Investment Company Limited.

Gabriel Radzynski

Director

Appendix A

Terms of Offer

1. Mercantile OFM's Offer

- 1.1 Mercantile OFM offers to acquire your AKF Shares on the terms and conditions of this Offer. You may only accept this Offer in respect of all of your AKF Shares. The consideration being offered by Mercantile OFM is \$0.07 for each AKF Share acquired under this Offer.
- 1.2 If you accept this Offer and Mercantile OFM acquires your AKF Shares, Mercantile OFM is also entitled to any Rights in respect of those of your AKF Shares acquired by Mercantile OFM.

2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on [•] 2015 and ending at 7:00pm on [•] 2015 Sydney time, subject to any extension of that period in accordance with the Corporations Act.

3. Who may accept

- 3.1 An offer in the form of this Offer is being made to:
 - (a) each holder of AKF Shares registered in the register of members of AKF at 7:00pm Sydney time on 5 June 2015; and
 - (b) each other holder of AKF Shares who become so registered before the end of the Offer Period.
- 3.2 If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of any of your AKF Shares (**transferred Shares**), Mercantile OFM is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
 - (a) to the other person, relating to the transferred Shares; and
 - (b) to you, relating to your AKF Shares other than the transferred Shares (if any).
- 3.3 If at any time during the Offer Period and before this Offer is accepted, you hold your AKF Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act:
 - (a) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your AKF Shares;
 - (b) to accept any of those corresponding Offers, you must specify:
 - (i) by written notice accompanying your Acceptance Form; or
 - (ii) if the notice relates to AKF Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,

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

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

4. How to accept this Offer

- 4.1 You may accept this Offer only in respect of all of your AKF Shares.
- 4.2 You may only accept this Offer during the Offer Period.
- 4.3 If your AKF Shares are held in a CHESS Holding, you can only accept this Offer in accordance with the ASX Settlement Operating Rules.
- 4.4 To accept this Offer, you should proceed as follows:
 - (a) you may complete and sign the Acceptance Form in accordance with the instructions on the Acceptance Form and the Bidder's Statement and return it, so that the envelope in which they are sent is received by Mercantile OFM in accordance with the Acceptance Form before the end of the Offer Period; and
 - (b) if your AKF Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either:
 - (i) instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating Rules before the end of the Offer Period; or
 - (ii) if you are a Broker or an ASX Settlement Participant, initiate acceptance of the Offer in accordance with the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

5. Effect of acceptance

- 5.1 By accepting the Offer in accordance with Clause 4, you will have:
 - (a) accepted this Offer in respect of all of your AKF Shares;
 - (b) agreed to transfer your AKF Shares to Mercantile OFM (subject to this Offer and the contract resulting from your acceptance of it becoming unconditional);
 - (c) represented and warranted to Mercantile OFM that your AKF Shares will at the time of acceptance of this Offer and at the time of their transfer to Mercantile OFM be fully paid up and that Mercantile OFM will acquire good title to and beneficial ownership of your AKF Shares free from all Encumbrances and other adverse third party interests of any kind;
 - (d) on the Offer or the contract resulting from your acceptance of the Offer becoming unconditional, irrevocably appointed Mercantile OFM and each of its directors, secretaries and officers severally from time to time as your attorney to do all things which you could lawfully do in relation to your AKF Shares or in exercise of any right derived from the holding of such AKF Shares, including without limitation:
 - (i) attending and voting at any general meeting of AKF;
 - (ii) notifying AKF that your address in the records of AKF for all purposes including the dispatch of notices of meeting, annual reports and dividends should be altered to an address nominated by Mercantile OFM;

- (iii) do all things necessary to effect the transfer of your AKF Shares on the same terms and conditions set out in the Offer, legally and beneficially to Mercantile OFM; and
- (iv) doing all things incidental and ancillary to any of the above.

This appointment terminates on the registration of Mercantile OFM as the registered holder of your AKF Shares;

Mercantile OFM must indemnify you and keep you indemnified in respect of all costs, expenses and obligations which might otherwise be incurred or undertaken as a result of the exercise by an attorney of any powers under this Clause 5.1(d);

- (e) agreed that in exercising the powers conferred by the power of attorney under Clause 5.1(d) the attorney may act in the interests of Mercantile OFM as the intended registered holder and beneficial holder of those AKF Shares;
- (f) agreed not to attend or vote in person at any general meeting of AKF or to exercise or purport to exercise any of the powers conferred on an attorney under Clause 5.1(d);
- (g) represented and warranted to Mercantile OFM that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;
- (h) agree to indemnify Mercantile OFM and AKF fully in respect of any claim, demand, action, suit or proceeding made or brought against AKF and any loss, expense, damage or liability whatsoever suffered or incurred by Mercantile OFM, in each case as a result of any representation or warranty made by you not being true;
- (i) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Mercantile OFM has not yet provided the consideration due to you) you authorise Mercantile OFM to transmit a message to ASX Settlement in accordance with Rule 14.17.1 of the ASX Settlement Operating Rules so as to enter those of your AKF Shares which are CHESS Holdings into the Mercantile OFM Takeover Transferee Holding; and
- (j) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though Mercantile OFM has not provided the Consideration due to you) you authorise Mercantile OFM to enter those of your AKF Shares which are Issuer Sponsored Holdings into the name of Mercantile OFM.

5.2 By completing, signing and returning the Acceptance Form, you will also have:

- (a) authorised Mercantile OFM and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
 - (i) to make the Acceptance Form an effectual acceptance of this Offer; and
 - (ii) to enable registration of the transfer to Mercantile OFM of your AKF Shares; and
- (b) authorised Mercantile OFM and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules.

5.3 Mercantile OFM may at any time in its absolute discretion:

- (a) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the other requirements for a valid acceptance have not been complied with; and
- (b) where you have satisfied the requirements for acceptance in respect of only some of your AKF Shares, treat the acceptance as a valid acceptance only in respect of those AKF Shares.

5.4 In respect of any part of an acceptance treated by Mercantile OFM as valid, Mercantile OFM must provide you with the relevant consideration in accordance with Clause 6.1.

6. Consideration for your AKF Shares

6.1 Subject to Clauses 6.2 and 6.4 of this Offer, if you accept this Offer and the contract resulting from your acceptance of this Offer becomes unconditional, Mercantile OFM will pay to you the Offer Consideration to which you are entitled by the later of:

- (a) the date 1 month after the date you validly accept this Offer;
- (b) 1 month after the date the Offer becomes or is declared unconditional,

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

6.2 If you accept the Offer and you are a Foreign Shareholder, you are not entitled to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained from the Reserve Bank of Australia and or the Australian Taxation Office. Refer to Clause 6.9 of this Offer for further information.

6.3 Notwithstanding anything else in the Bidder's Statement, Mercantile OFM is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Shareholders to receive the Offer Consideration as set out in this Clause 6.2.

6.4 Where the Acceptance Form or any subsequent request from Mercantile OFM requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by Mercantile OFM to give better effect to your acceptance):

- (a) if the documents are given with your acceptance, Mercantile OFM will provide the Offer Consideration in accordance with Clause 6.1 of this Offer;
- (b) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a defeating condition at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and
 - (ii) 21 days after the end of the Offer Period; or
- (c) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
 - (i) one month after Mercantile OFM is given the documents; and
 - (ii) 21 days after the end of the Offer Period.

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

6.6 If Mercantile OFM becomes entitled to any Rights as a result of your acceptance of this Offer, it may require you to give Mercantile OFM all documents necessary to vest those Rights in Mercantile OFM or otherwise to give Mercantile OFM the benefit or value of those Rights. If you do not give those documents to Mercantile OFM, or if you have received the benefit of those Rights, then Mercantile OFM may reduce the Offer Consideration to which you are otherwise entitled under this Offer by the amount equal to the value, (as reasonably assessed by Mercantile OFM), of those Rights.

6.7 If:

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

then Mercantile OFM may reduce the Offer Consideration to be paid to you under this Offer by the value (as reasonably assessed by Mercantile OFM) of such Rights.

6.8 If Mercantile OFM does not, or cannot, make such a reduction, you must pay such value or amount to Mercantile OFM.

6.9 If, at the time of acceptance of this Offer, any consent, authority or clearance of the Reserve Bank of Australia and/or the Australian Taxation Office is required for you to receive any consideration under this Offer or you are resident in or a resident of a place to which, or you are a person to whom:

- (a) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (b) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (c) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (d) Part 9 of the Anti-Money Laundering And Counter-Terrorism Financing Act 2006 (Cth);
- (e) any other regulations made under Part 4 of the *Charter of the United Nations Act 1945* (Cth); or
- (f) any other law of Australia that would make it unlawful for Mercantile OFM to provide Consideration for your AKF Shares,

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

7. Conditions of this Offer

7.1 Subject to Clause 7.4, this Offer and the contract that results from acceptance of this Offer are each conditional on the number of AKF Shares in which Mercantile OFM and its Associates

have a Relevant Interest at the expiry of the Offer Period is not less than 90% of the AKF Shares then on issue.

- 7.2 The Condition is a condition subsequent. Subject to Section 650G of the Corporations Act, the non-fulfilment of any of the Condition does not prevent your acceptance of this Offer resulting in a contract to sell your AKF Shares but entitles Mercantile OFM by a notice given to AKF to rescind that contract.
- 7.3 Subject to the Corporations Act and Clause 8.4, Mercantile OFM alone is entitled to the benefit of the Condition or to rely on the non-fulfilment of the Condition.
- 7.4 Subject to the Corporations Act, Mercantile OFM may declare the Offers free from the Condition by giving notice in writing to AKF not more than 14 days before and not less than 7 days before the end of the Offer Period. If at the end of the Offer Period, the Condition has not been fulfilled and Mercantile OFM has not declared the Offers (and they have not become) free from all the Condition, all the contracts resulting from acceptance of the Offers are automatically void.
- 7.5 The date for publication of the notice under Section 630(1) of the Corporations Act is [•] 2015 (subject to extension in accordance with Section 630(2) if the Offer Period is extended under Section 650C of the Corporations Act).

8. Withdrawal of Offers

- 8.1 This Offer may be withdrawn by Mercantile OFM, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- 8.2 Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Mercantile OFM given to AKF.
- 8.3 Subject to any conditions imposed by ASIC on its consent, where Mercantile OFM withdraws this Offer:
 - (a) this Offer, if not previously accepted, automatically becomes incapable of acceptance; and
 - (b) any contract resulting from an acceptance of this Offer before the withdrawal (and for this purpose this Offer is treated as having continued in existence notwithstanding that acceptance) is automatically void.

9. Variation

Mercantile OFM may vary this Offer in accordance with the Corporations Act.

10. Mercantile OFM's Relevant Interests

At the date of this Offer, there are 65,955,515 AKF Shares on issue. Immediately before this Offer was sent, Mercantile OFM had a Relevant Interest in 13,182,748 AKF Shares. This constitutes 19.9% of all of the AKF Shares on issue.

11. No duty

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

12. Foreign laws

This Offer is not registered in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of the Bidder's Statement being lodged with ASIC). It is your sole

responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept this Offer and to receive the Offer Consideration.

13. Governing law

- 13.1 This Offer and any contract resulting from acceptance of the Offer are governed by the law in force in NSW.

This Offer is dated [•] 2015.