

# Mercantile Investment Company Limited

ABN 15 121 415 576

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3 June 2016

ASX Limited  
Company Announcements Office  
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## **ASX ANNOUNCEMENT REPLACEMENT PROSPECTUS FOR 8%p.a. UNSECURED NOTES OFFER**

The directors are pleased to announce that Mercantile Investment Company Limited (**Company**) has lodged the replacement prospectus dated 3 June 2016 (**Replacement Prospectus**) with ASIC.

The Replacement Prospectus replaces the prospectus issued by the Company and dated 20 May 2016.

Any person wishing to obtain a copy of the Replacement Prospectus may contact 1300 306 413 or download an electronic copy of the Replacement Prospectus from the following website: [www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au).

Yours faithfully

**Matthew Rowe**  
**Company Secretary**

# Mercantile Investment Company Limited

ACN 121 415 576

## Replacement Prospectus Offer of 8%p.a. Unsecured Notes

Offer of up to 150,000 MVT Notes at an offer price of \$100 per MVT Note to raise up to \$15,000,000, with the ability to accept oversubscriptions for up to 100,000 MVT Notes to raise up to a further \$10,000,000.

(Including a Priority Allocation to Mercantile Investment Company Limited shareholders of up to 50,000 MVT Notes)

Signed pursuant to Section 351  
of the Corporations Act 2001

  
Name: *Gabriel Radzyninski*  
Director of Mercantile Investment Company  
Limited



**TAYLOR COLLISON**

Sharebrokers and Investment Advisers  
[www.taylorcollison.com.au](http://www.taylorcollison.com.au)

### Important Information

This replacement Prospectus contains important information for you and requires your immediate attention. It should be read in its entirety. If you have any questions as to its contents or the course you should follow, please consult your stockbroker, financial planner, accountant, solicitor or other professional adviser immediately.

# Important Notices

This replacement Prospectus (**Prospectus**) is dated 3 June 2016 and was lodged with the Australian Securities & Investments Commission (**ASIC**) on that date. It replaces the Prospectus dated 20 May 2016. It is issued by Mercantile Investment Company Limited (ACN 121 415 576) (the **Company** or the **Issuer**) and is an invitation to apply for a minimum of 100,000 MVT Notes and a maximum of 150,000 MVT Notes, at an offer price of \$100 per MVT Note to raise a minimum of \$10 million and a maximum of \$15 million, with the ability to accept oversubscriptions up to \$10 million (the **Offer**).

MVT Notes are “unsecured notes” for the purposes of Section 283BH of the Corporations Act, 2001 (Cth) and are “debt securities” for the purposes of the Guidance Note 34 (Naming Conventions for Debt and Hybrid Securities) issued by the ASX.

MVT Notes are not “simple corporate bonds” for the purposes of Section 713A of the Corporations Act. This Prospectus does not constitute a two-part simple corporate bond prospectus within the meaning of Section 713B of the Corporations Act.

None of ASIC, ASX Limited (**ASX**) or their respective officers take responsibility for the contents of this Prospectus.

**This document is important and requires your immediate attention. It should be read in its entirety. You may wish to consult your professional advisor about its contents.**

No MVT Notes will be issued on the basis of this Prospectus after the expiry date, being the date 13 months after the date of this Prospectus.

## Intermediary Authorisation

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, offers under this Prospectus will be made under an arrangement between the Company and the authorised intermediary, Taylor Collison Limited ABN 51 008 172 450 (AFSL 247083) under Section 911A(2)(b) of the Corporations Act. The Company will only authorise the authorised intermediary to make offers to people to arrange for the issue of MVT Notes by the Company under this Prospectus and the Company will only issue MVT Notes in accordance with such offers if they are accepted.

Taylor Collison Limited (ACN 008 172 450) (AFSL 247083) (the **Lead Manager**) will manage the Offer on behalf of the Company.

The Lead Manager has not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Prospectus and does not make any statement in this Prospectus and there is no statement in this Prospectus which is based on any

statement by the Lead Manager. The Lead Manager and its respective affiliates, related bodies corporate, officers and employees to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus and make no representation or warranty, express or implied as to the currency, accuracy, reliability or completeness of this Prospectus.

The Lead Manager's functions should not be considered as an endorsement of the Offer, nor a recommendation of the suitability of the Offer for any investor. The Lead Manager does not guarantee the success or performance of the Company or the returns (if any) to be received by investors. The Lead Manager is not responsible for, nor has it caused the issue of, this Prospectus.

The Lead Manager is entitled to a management fee of \$50,000 (excluding GST). The fee is payable by the Company. The Company will pay to Brokers a broker firm fee equal to 1.5% (excluding GST) of the Application Monies provided with valid Application Forms to the Lead Manager to the extent MVT Notes are allotted under the Broker Firm Offer. No broker firm fee will be payable on General or Priority Applications.

## ASX Listing

The Issuer will apply within seven days after the date of this Prospectus for quotation of the MVT Notes on ASX.

The fact that ASX may quote the MVT Notes is not to be taken in any way as an indication of the merits of the Issuer. Neither the ASX, nor its officers take any responsibility for the contents of this Prospectus. If granted admission to the ASX, quotation will commence as soon as practicable after holding statements are dispatched.

The Issuer does not intend to issue any MVT Notes unless and until permission has been granted for the MVT Notes to be quoted on the ASX on terms acceptable to the Issuer. If permission is not granted for the MVT Notes to be quoted before the end of three months after the date of this Prospectus or a longer period permitted by the Corporations Act or with the consent of ASIC, all Application Monies received under the Prospectus will be refunded without interest to Applicants in full within the time prescribed by the Corporations Act.

## Documents Relevant to the Offer

In addition to this Prospectus, the following documents are relevant to the Offer and can be obtained from:

[www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au):

- The full terms of the MVT Notes (see also Appendix A to this Prospectus);

- The Trust Deed (see Section 7.4 for a summary).

In addition to reading this Prospectus in full, it is important you read these documents in full before making a decision to invest in MVT Notes.

### Investment Decision

Applicants should read this Prospectus in its entirety before deciding to apply for MVT Notes. This Prospectus does not take into account your individual investment objectives, financial situation or any of your particular needs. You should seek independent legal, financial and taxation advice before making a decision whether to invest in the Issuer.

An investment in MVT Notes carries risks that could affect their performance, including loss of capital and income. The Issuer does not guarantee the market price of MVT Notes nor any particular rate of return. An outline of some of the risks that apply to an investment in MVT Notes is set out in Section 5. You are urged to consider this Section of the Prospectus carefully before deciding to apply for MVT Notes.

### Exposure Period

The Corporations Act prohibits the Issuer from processing Applications to subscribe for MVT Notes under this Prospectus in the seven day period after the date of the lodgement of this Prospectus (**Exposure Period**). This period may be extended by ASIC by up to a further seven days. This period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after expiry of that period. No preference will be conferred on Applications during the Exposure Period.

### Disclaimer

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained or taken to be contained may not be relied on as having been authorised by the Issuer in connection with the Offer.

Except as required by law, the Issuer does not intend to update or revise forward looking statements or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The Issuer and the MVT Note Registrar disclaim all liability, whether in negligence or otherwise, to persons who trade MVT Notes before receiving their holding statement.

### Responsibility Statement by MVT Note Trustee

The MVT Note Trustee, being Australian Executor Trustees Limited:

- has not authorised or caused the issue, submission, dispatch or provision of this Prospectus and does not make any statement or purport to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based;
- does not, nor do any of its directors, employees, officers, affiliates, agents, advisors, intermediaries or related bodies corporate (each a “related person”) assume any responsibility for the accuracy or completeness of any information contained in this Prospectus;
- to the maximum extent permitted by law expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, or omissions from this Prospectus, other than the references to its name and the statements(s) and/or reports(s) (if any) specified below and included in this Prospectus with its written consent;
- has given, and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- does not, nor does any related person, make any representation as to the truth and accuracy of the contents of this Prospectus;
- has not been involved in the preparation of any part of this Prospectus and has relied on the Issuer for the accuracy of the contents of this Prospectus; and
- does not, nor does any related person, make any representation or warranty as to the performance of MVT Notes or the payment of interest or the redemption of MVT Notes.

The interest payments on the MVT Notes are obligations of the Issuer and are not guaranteed by the MVT Note Trustee or any of its directors, employees, officers, affiliates, agents, advisors, intermediaries, related body corporate or any other entity.

The obligation to redeem MVT Notes in accordance with their terms is a direct obligation of the Issuer. Neither the MVT Note Trustee nor any of its directors, employees, officers, affiliates, agents, advisors, intermediaries, related body corporate or any other entity guarantees the redemption of or prepayment of any principal under the MVT Notes.

The MVT Note Trustee is not responsible for monitoring the Issuer’s compliance with the Trust Deed nor the Issuer’s business.

### Forward Looking Statements

This Prospectus contains forward looking statements, which are identified by words such as

"may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. Forward looking statements are not based on historical facts, but are based on current expectations of future results or events. These forward looking statements are subject to risks, uncertainties and assumptions which could cause actual results or events to differ materially from the expectations described in such forward looking statements. While the Issuer believes that the expectations reflected in the forward looking statements in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors set out in Section 5, as well as other matters as yet not known to the Issuer or not currently considered material by the Issuer, may cause actual results or events to be materially different from those expressed, implied or projected in any forward looking statements. Any forward looking statement contained in this Prospectus is qualified by this cautionary statement.

#### **Warning Statement for New Zealand Investors**

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 (Aust) and regulations made under that Act. In New Zealand, this is subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 of the Financial Markets Conduct Regulations 2014.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 (Aust) and the regulations made under that Act set out how the offer must be made.

There are differences in how financial products are regulated under Australian law. For example, the disclosure of fees for managed investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian financial products may differ from the rights, remedies, and compensation arrangements for New Zealand financial products.

Both the Australian and New Zealand financial markets regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, New Zealand (<http://www.fma.govt.nz>). The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian financial products is not the same as for New Zealand financial products.

If you are uncertain about whether this investment is appropriate for you, you should

seek the advice of an appropriately qualified financial adviser.

**The offer may involve a currency exchange risk. The currency for the financial products is not New Zealand dollars. The value of the financial products will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.**

**If you expect the financial products to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.**

**If the financial products are able to be traded on a financial product market and you wish to trade the financial products through that market, you will have to make arrangements for a participant in that market to sell the financial products on your behalf. If the financial product market does not operate in New Zealand, the way in the which the market operates, the regulation of participants in that market, and the information available to you about the financial products and trading may differ from financial product markets that operate in New Zealand.**

#### **Obtaining a Copy of this Prospectus**

A paper copy of this Prospectus is available free of charge in Australia by calling 1300 306 413 from 8.30am until 5.00pm (Sydney time) Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Company's website:

[www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au). The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from Australia. It is not available to persons in the United States. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

#### **Applications for MVT Notes**

Applications for MVT Notes under this Prospectus may only be made during the Offer Period on either a printed copy of the Application Form attached to or accompanying this Prospectus or via the electronic version of this Prospectus, available on the Company's website.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

The Board has set aside 50,000 MVT Notes as a Priority Allocation for eligible MVT Shareholders. See Section 8.1 for further details. The Directors reserve the right to allocate any lesser number of

MVT Notes than those for which the Applicant has applied. Where the number of MVT Notes allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest.

**No withdrawal of Application**

You cannot withdraw your Application once it has been lodged, except as permitted under the Corporations Act.

**Definition of terms**

Defined terms and abbreviations included in the text of this Prospectus are set out in the Definitions and Interpretation in Section 9.

Any reference to \$ or dollars in this Prospectus is a reference to Australian currency. Any reference to time in this Prospectus is a reference to Sydney time unless otherwise stated.

# ASIC and ASX Guidance for Retail Investors

ASIC has published a guide for retail investors who are considering investing in bonds called “Investing in corporate bonds?” (**ASIC Guide**), which raises issues that may be relevant to your consideration of MVT Notes. A free copy of the ASIC Guide can be obtained from ASIC’s MoneySmart website at [www.moneysmart.gov.au](http://www.moneysmart.gov.au).

ASX has also given guidance on ASX listed bonds. It is called “Understanding Bonds” and can be found at [www.asx.com.au](http://www.asx.com.au).

MVT Notes are debt securities of the Issuer and may be affected by ongoing performance, financial position and solvency of the Issuer. MVT Notes are not deposit liabilities or protected accounts under the Banking Act.

## **Where can I obtain further information about the Issuer and MVT Notes?**

You should focus on the financial position of the Issuer when deciding to invest in MVT Notes.

The Issuer is a disclosing entity for the purposes of the Corporations Act. As a result, the Issuer is subject to regular reporting and disclosure obligations under the Corporations Act and immediately (subject to certain exceptions) if it becomes aware of information that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of documents lodged with ASIC and ASX can be obtained from, or inspected at, an ASIC office and can also be obtained from [www.asx.com.au](http://www.asx.com.au).

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# Key Offer information

## Key dates

Lodgement of Prospectus with ASIC	3 June 2016
Expected expiry of exposure period	3 June 2016
Expected open of Offer (9:00am Sydney time)	6 June 2016
Broker Firm Offer closes (5:00pm Sydney time)	10 June 2016
Expected close of Offer (5:00pm Sydney time)	16 June 2016
Issue and allotment of MVT Notes	22 June 2016
Expected despatch of holding statements	29 June 2016
Trading of MVT Notes expected to commence on ASX	30 June 2016

Note: This timetable is indicative only and subject to change. Unless otherwise indicated, all times are references to Sydney time. The Issuer reserves the right to vary the dates and time of the Offer, including to close the Offer early or to accept late Applications, either generally or in particular cases without notification.

## Key dates for MVT Notes

First interest payment <sup>1</sup>	31 December 2016
Maturity date	10 July 2021

1. Interest is scheduled to be paid on the semi-annual interest payment dates (30 June and 31 December each year) until all MVT Notes have been Redeemed. If any of these scheduled dates is not a Business Day, then the payment will be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding 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 the Interest payable.

## Key Offer statistics

Offer price per MVT Note	\$100
MVT Note coupon rate	8% per annum
Interest payments	Semi-annual
Minimum number of MVT Notes to be issued under the Offer	100,000 MVT Notes
Total maximum number of MVT Notes available under the Offer	150,000 MVT Notes plus any oversubscriptions up to 100,000 MVT Notes
Number of MVT Notes available under the Priority Allocation	50,000 MVT Notes
Minimum gross proceeds raised under the Offer	\$10 million
Maximum gross proceeds raised under the Offer <sup>1</sup>	\$15 million plus up to \$10 million of oversubscriptions

1. The maximum number of MVT Notes that may be issued under this Offer relates to this Offer only. The Issuer may issue further MVT Notes at a later date in excess of this maximum where the Issuer reasonably believes target leverage ratios are consistent with the Company's investment strategy at the time of issue.

# Chairman's letter

3 June 2016

Dear Investor,

## **The Offer**

On behalf of the board of Mercantile Investment Company Limited, I am pleased to invite you to subscribe for 8% p.a. unsecured notes of the Company.

The MVT Notes carry an annual interest rate of 8%, payable semi-annually in arrears and maturing on 10 July 2021, approximately 5 years from the expected Issue Date.

Under this Prospectus, the Company is offering up to 150,000 MVT Notes, with the ability to accept oversubscriptions for up to a further 100,000 MVT Notes, at an offer price of \$100 per MVT Note. The Offer will raise up to \$15 million (with a potential \$10 million in oversubscriptions). Proceeds from the issue of MVT Notes will be used to meet the costs of the Offer and repay the Company's existing short term debt facility, to fund its investment strategy, acquisitions of new securities and for working capital and debt servicing purposes, consistent with the investment strategy of Mercantile.

The Company's principal activities are investment directly and through controlled entities in securities that will provide attractive risk adjusted returns, including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation, as appropriate. The Company may also hold cash.

On 6 January 2012, Mercantile's shareholders approved the acquisition of Siblow Pty Limited's portfolio of ASX listed securities and the appointment of Siblow's controller, Sir Ron Brierley, to the Board. From that date to 30 April 2016, net tangible asset backing per Share (after tax) increased from 6.4 cents to 16.14 cents, representing a compound return of approximately 23.8% per annum. Investors are reminded that past performance is no indicator of future performance.

Detailed information about the Offer and financial and operating performance of Mercantile is set out in this Prospectus. A detailed description of the key risks associated with an investment in the Issuer is provided in Section 5. I encourage you to read this Prospectus carefully and in its entirety before making your investment decision.

Yours sincerely,

**Ron Brierley**  
**Chairman**  
**Mercantile Investment Company Limited**

## 1. Offer Summary

This is a summary only. This Prospectus should be read in full before making any decision to apply for MVT Notes. The following is an overview of the Issuer, key terms of the MVT Notes and key benefits and risks of investing in MVT Notes. Detailed information is provided in the following sections of this Prospectus, and it is important that you read this Prospectus, the Terms and Trust Deed in their entirety before deciding to invest in MVT Notes. If you have any questions, you should seek advice from your financial advisor or other professional advisor before deciding to invest.

The full Terms are contained in Annexure A. Rights and liabilities attaching to MVT Notes may also arise under the Corporations Act, ASX Listing Rules and other applicable laws.

### Overview of the Issuer and MVT Notes

Question	Answer	More Information
Who is the Issuer?	Mercantile Investment Company Limited (ACN 121 415 576), an investment company listed on the ASX and NZX.	Section 3.1
What are the MVT Notes?	MVT Notes are interest bearing “unsecured notes” issued by the Issuer. MVT Notes are “debt securities” for the purposes of Guidance Note 34 (Naming Conventions for Debt and Hybrid Securities) issued by the ASX. MVT Notes are not “simple corporate bonds” within the meaning of section 713A of the Corporations Act.	Annexure A
What is the Offer size?	Up to 150,000 MVT Notes with the ability to accept oversubscriptions for up to a further 100,000 MVT Notes. Under this Prospectus, MVT Notes are offered at an offer price of \$100 per MVT Note to raise up to \$15 million, with the ability to accept oversubscriptions of up to a further \$10 million.  Of the 150,000 MVT Notes available under the Offer, 50,000 MVT Notes are available to existing MVT Shareholders under the Priority Allocation. The Offer also comprises the Broker Firm Offer.	Section 8.1
What will the proceeds of the Offer be used for?	The proceeds of the Offer will be used to: <ul style="list-style-type: none"> <li>➤ pay the costs of the Offer;</li> <li>➤ refresh the Company’s Short Term Debt facility by bringing the balance of funds outstanding under that facility to zero; and</li> <li>➤ in respect of the balance (if any), provide additional capital to MVT to fund its investment strategy, including acquisition of new investments and for working capital consistent with the investment strategy of MVT and for debt servicing purposes (including MVT Notes).</li> </ul> <p>It is not anticipated that the funds raised under the Offer will be applied specifically to pay dividends to Shareholders. However, access to the proceeds of the Offer will enable cash derived from other sources to be applied to other purposes, including the payment of dividends and the issue of MVT Notes might therefore assist in the payment of dividends to Shareholders.</p>	Section 4.4

Question	Answer	More Information
What is the face value of the MVT Notes?	The Face Value of an MVT Note on issue will be \$100.	Annexure A
What is the Interest rate of MVT Notes, and when will it be paid?	MVT Notes will pay a fixed rate of Interest until maturity or Redemption, based on the outstanding Face Value, of 8% per annum.  Interest payments will be made semi-annually. The first Interest Payment Date for MVT Notes is 31 December 2016.	Annexure A
What is the term of MVT Notes and when will they mature?	Unless Redeemed early, MVT Notes mature on 10 July 2021, representing a term of approximately 5 years from the expected Issue Date.	Annexure A
When can the MVT Notes be redeemed prior to the Maturity Date?	The MVT Notes can be Redeemed prior to the Maturity Date in the following situations: <ul style="list-style-type: none"> <li>➤ if a Tax Event or a Change of Control Event occurs, the Issuer may elect to fully (but not partially) Redeem all of the MVT Notes; and</li> <li>➤ if an Event of Default occurs and while it is subsisting, the MVT Note Trustee may require all of the MVT Notes to be fully (but not partially) Redeemed. The MVT Note Trustee must require all of the MVT Notes to be fully (but not partially) Redeemed if an Event of Default occurs and is subsisting, it is so directed by a Special Resolution, it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law.</li> </ul>	Annexure A
When can the Issuer choose to redeem or partially repay MVT Notes?	Investors should refer to the circumstances where the Issuer has the option, but is not required, to Redeem all MVT Notes from the Issue Date.	Annexure A
Will the MVT Notes be rated?	It is not anticipated that MVT Notes will receive a credit rating from any rating agency.	
Where will MVT Notes rank in the Company's debt structure?	MVT Notes are unsecured liabilities and will effectively rank, in an Insolvency Event (for example, if a liquidator is appointed to wind up MVT): <ul style="list-style-type: none"> <li>➤ behind senior debt (if any);</li> <li>➤ behind unsecured creditors preferred by law;</li> <li>➤ equally with other unsecured creditors of the Issuer (including any debt owed under the Short Term Debt Facility); and</li> <li>➤ ahead of ordinary shares in MVT.</li> </ul> <p>At 31 December 2015, MVT (including its controlled entities) had \$4.6 million of debt.</p> <p>Since 31 December 2015 MVT has also acquired a portfolio of UK listed securities (the <b>UK Portfolio</b>) for \$4.6 million</p>	

Question	Answer	More Information																																				
	<p>and MVT's total debt outstanding is approximately \$10 million as at the date of this Prospectus. MVT will repay those debts from the proceeds of the Offer, bringing the balance of funds outstanding under its Short Term Debt Facility to zero. The Short Term Debt Facility will remain available to be drawn if required.</p> <p>If at any time an Insolvency Event occurs in relation to the Company, any amount owing to MVT Noteholders will only be paid after all amounts owing to all other creditors ranking ahead of MVT Noteholders have been paid.</p> <p>At the date of this Prospectus the Issuer had no debt incurred through its controlled entities.</p>																																					
Can MVT change its borrowing policy?	The Company has a disciplined approach to borrowing. With the exception of short term debt funding provided from time to time by the Chairman, the Company has no other debt. The Company may change its borrowing policy from time to time.	Section 4.4																																				
Financial information	<p>The Gearing Ratio and the Leverage Ratio indicate the extent to which the assets of the Company are funded by debt. Generally, a higher ratio indicates greater use of borrowings to fund a business.</p> <p>Interest Cover gives an indication of the Company's ability to meet its interest payments from earnings. A low Interest Cover may indicate that the Issuer could face difficulties in servicing its debt (including the MVT Notes) if earnings decrease or interest rates increase and the Company does not have access to sufficient cash reserves to service that debt. Due to the Company's existing interest income from assets held, there is no Interest Cover ratio available for the Minimum and Maximum Subscriptions. The Interest Cover ratio only becomes available in the event of Over Subscriptions. See Section 4.6(g) for more detail.</p> <table><tr><th></th><th>Financial Information 31 December 2015</th><th>Unaudited Financial Information 30 April 2016</th><th>Minimum Subscription \$10m</th><th>Maximum Subscription \$15m</th><th>Over Subscription \$25m</th></tr><tr><td>Gearing Ratio</td><td>24.7%</td><td>36.7%</td><td>36.1%</td><td>46.7%</td><td>67.9%</td></tr><tr><td>Leverage Ratio</td><td>8.4%</td><td>15.7%</td><td>15.3%</td><td>21.5%</td><td>31.4%</td></tr><tr><td>Interest Cover - EBITDA (6 months to 31 December 2015)</td><td>N/A<sup>1</sup></td><td>N/A<sup>1</sup></td><td>N/A<sup>2</sup></td><td>N/A<sup>3</sup></td><td>2.1 x<sup>4</sup></td></tr><tr><td>Working capital ratio</td><td>2.7 x</td><td>2.0 x</td><td>11.4 x</td><td>13.7 x</td><td>18.4 x</td></tr><tr><td>Net Interest (Income)/Expense</td><td>N/A<sup>1</sup></td><td>N/A<sup>1</sup></td><td>\$(334,331)</td><td>\$(134,331)</td><td>\$265,669</td></tr></table>		Financial Information 31 December 2015	Unaudited Financial Information 30 April 2016	Minimum Subscription \$10m	Maximum Subscription \$15m	Over Subscription \$25m	Gearing Ratio	24.7%	36.7%	36.1%	46.7%	67.9%	Leverage Ratio	8.4%	15.7%	15.3%	21.5%	31.4%	Interest Cover - EBITDA (6 months to 31 December 2015)	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>3</sup>	2.1 x <sup>4</sup>	Working capital ratio	2.7 x	2.0 x	11.4 x	13.7 x	18.4 x	Net Interest (Income)/Expense	N/A <sup>1</sup>	N/A <sup>1</sup>	\$(334,331)	\$(134,331)	\$265,669	Section 4.6(g)
	Financial Information 31 December 2015	Unaudited Financial Information 30 April 2016	Minimum Subscription \$10m	Maximum Subscription \$15m	Over Subscription \$25m																																	
Gearing Ratio	24.7%	36.7%	36.1%	46.7%	67.9%																																	
Leverage Ratio	8.4%	15.7%	15.3%	21.5%	31.4%																																	
Interest Cover - EBITDA (6 months to 31 December 2015)	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>3</sup>	2.1 x <sup>4</sup>																																	
Working capital ratio	2.7 x	2.0 x	11.4 x	13.7 x	18.4 x																																	
Net Interest (Income)/Expense	N/A <sup>1</sup>	N/A <sup>1</sup>	\$(334,331)	\$(134,331)	\$265,669																																	
ASX quotation	The Issuer will apply for quotation of MVT Notes on ASX. It is expected that MVT Notes will be quoted under ASX code																																					

Question	Answer	More Information
	<p>“MVTHA”.</p> <p>Completion of the Offer is conditional on ASX approving this application.</p>	
<p>How will payments on the MVT Notes be funded?</p>	<p>The Issuer will adopt a disciplined approach to managing its financial affairs and meeting its obligations under the MVT Notes.</p> <p>Interest payments are expected to be funded through one or more of the following means:</p> <ul style="list-style-type: none"> <li>➤ utilising working capital, which is funded from investment income, including dividends received, interest income, the proceeds from disposal of investments, and other payments from assets held. The Company is an investment entity with a dynamic and broad investment mandate, which means that working capital from investment income is unpredictable as to both amount and timing, however the Company also has flexibility to adjust its investment decisions to observe its obligations to meet Interest payments;</li> </ul> <p>As at 31 December 2015 around 88% of the Company's investment portfolio (both long term and short term) was equity positions that are traded in active markets (listed public exchanges), however this may change before the Company's payment obligations under the Terms fall due. The Company has the capacity to make investments in both liquid and illiquid assets. The Board will have ongoing regard to the Company's obligations to pay Interest and fund Redemption of MVT Notes when making investment decisions.;</p> <ul style="list-style-type: none"> <li>➤ from time to time entering into various borrowing arrangements including drawing down on the refreshed Short Term Debt Facility provided by the Chairman and/or using third party borrowing, if available. In light of the Company's dynamic investment approach, which may result in unpredictable incomes, there is no certainty of obtaining third party debt on terms acceptable to the Company, or at all; and</li> <li>➤ undertaking further equity or debt raisings. As at the date of this Prospectus, the Company has no pre-planned future issues of either debt or equity securities.</li> </ul> <p>The Issuer expects to fund Redemption of the MVT Notes through one or more (or a combination) of the following means:</p> <ul style="list-style-type: none"> <li>➤ from cash holdings at the time of Redemption;</li> <li>➤ disposal of underlying financial assets or other assets. The Company's ability to fund Redemption from asset disposal will depend on whether the price it is able to achieve in that disposal is less than the amount due to Noteholders (see above regarding asset liquidity in the context of working capital). In the event that the Company is not able to refinance in order to Redeem MVT Notes, there is no certainty that there will be</li> </ul>	<p>Section 4.3 and Section 5.2</p>

Question	Answer	More Information
	<p>sufficient liquidity in the Company's assets to fund Redemption by their disposal. The board will have ongoing regard to the Company's obligations under the terms of the MVT Notes when making investment decisions; issuing new debt securities;</p> <ul style="list-style-type: none"> <li>➤ entering into additional borrowing facilities or refinancing existing borrowing facilities of MVT and its controlled entities including drawing down of the Short Term Debt Facility and/or using third party borrowing, if available. In light of the Company's investment approach, which may result in unpredictable incomes, there is no certainty of obtaining third party debt on terms acceptable to the Company, or at all; and</li> <li>➤ issuing Shares or other equity or hybrid securities.</li> </ul>	
What are the key benefits of MVT Notes?	<p>The key benefits of MVT Notes are:</p> <ul style="list-style-type: none"> <li>➤ fixed rate interest payments;</li> <li>➤ semi-annual interest payments;</li> <li>➤ listed on the ASX;</li> <li>➤ ranking ahead of Shareholders in a liquidation of the company; and</li> <li>➤ diversification for Shareholders, being an opportunity to diversify investment exposure type to the Company.</li> </ul>	
What are the key risks associated with investing in MVT Notes?	<p>The key risks of an investment in the MVT Notes are highlighted below. Investors should bear these in mind, when considering whether to participate in the Offer:</p> <ul style="list-style-type: none"> <li>➤ MVT Notes are unsecured liabilities that rank behind any senior debt and rank equally with other unsecured creditors of the Company, other than creditors preferred by law;</li> <li>➤ the Company may fail to pay Interest or repay Face Value on Redemption when required. See Section 4.6(g) for information regarding the Company's interest cover ratio. A low interest cover ratio may indicate that the Issuer could face difficulties in servicing its debt if earnings decrease or interest rates increase (to the extent the Company might have variable rate interest obligations) and the Issuer does not have access to sufficient cash to service the debt;</li> <li>➤ the Company's working capital is funded from investment income, which includes dividends received, interest income, the proceeds from disposal of investments, and other payments from assets held. Investment income is unpredictable as to both amount and timing and may not be sufficient to pay Interest and/or repay the Face Value. The Company's ability to fund Interest or Redemption payments from asset disposal will depend on whether the price it is able to achieve in that disposal is less than the amount due to Noteholders;</li> <li>➤ if the Company needs to sell assets and reduce investing to fund Interest payments, the Company may</li> </ul>	Investors should read these risks together with the other risks described in Section 5

Question	Answer	More Information
	<p>have less assets to fund Redemptions. There is a risk that the Company may need to sell asset at an inopportune time, or for a lower price</p> <ul style="list-style-type: none"> <li>➤ MVT Notes do not mature until the Maturity Date, but MVT may also fully (but not partially) Redeem all MVT Notes if a Tax Event or a Change of Control Event occurs;</li> <li>➤ individual MVT Noteholders cannot require the Redemption of their MVT Notes unless and until after the MVT Note Trustee fails to do so, where it is obliged to under the Terms or Trust Deed, for a period of 20 Business Days;</li> <li>➤ MVT may issue additional MVT Notes, securities that rank equally with MVT Notes and other indebtedness senior to MVT Notes, subject to the Terms of the MVT Notes;</li> <li>➤ the market price of MVT Notes on the ASX may fluctuate and you may lose money if you cannot sell MVT Notes at their issue price;</li> <li>➤ liquidity of MVT Notes on ASX may be low;</li> <li>➤ in certain circumstances, the Issuer may amend the Terms of the MVT Notes (see Section 5.2);</li> <li>➤ MVT's financial performance may be negatively impacted, including the possibility that its investments may decrease in value and/or yield which may in turn impact on its ability to pay Interest or Redeem MVT Notes on Maturity;</li> <li>➤ MVT may be unable to refinance its debt facilities, including the MVT Notes, at maturity;</li> <li>➤ global financial markets may be disrupted;</li> <li>➤ the Australian economy and/or the economies of other countries in which the Company invests (currently, New Zealand and the United Kingdom) may suffer a downturn;</li> <li>➤ MVT may fail to meet covenants on existing or new debt instruments;</li> <li>➤ regulation impacting MVT or MVT Notes may change; and</li> <li>➤ MVT is dependent on the retention of key personnel with responsibility for managing investments.</li> </ul>	
Who can participate in the Offer?	Members of the general public who have a registered address in Australia or New Zealand.	Section 8.1 and 8.11
How do I apply for MVT Notes?	<p>The procedures for making an application for MVT Notes are described in Section 8.</p> <p>The Lead Manager may be required to obtain identification information from Applicants. The Company reserves the right to reject an Application if this information is not provided upon request.</p>	Sections 8.4 to 8.6

Question	Answer	More Information
	Applicants under the Broker Firm Offer should contact their Broker for instructions on how to complete the Broker Firm Application Form accompanying this Prospectus.	
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be despatched on or about 29 June 2016.	
What are the fees and costs of the Offer?	<p>The Lead Manager is entitled to a management fee of \$50,000 (excluding GST). The fee is payable by the Company.</p> <p>The Company will pay a broker firm fee equal to 1.5% (excluding GST) of the Application Monies provided with valid Application Forms to the Lead Manager to the extent MVT Notes are allotted under the Broker Firm Offer.</p> <p>No broker firm fee will be payable on General Applications or Priority Applications.</p> <p>The Company will pay an arranging fee of 0.85% (excluding GST) of the proceeds of the Offer to Sandon Capital Pty Limited (ACN 130 853 691) an entity associated with Gabriel Radzynski, a Director. The agreement for this fee is on arm's length terms and has been approved by the Board.</p> <p>The costs of the Offer, net of tax and GST, include the broker firm fee and the stamping fee, legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of the Notes.</p> <p>These costs are estimated to be:</p> <ul style="list-style-type: none"> <li>- \$423,130, assuming the Minimum Subscription;</li> <li>- \$490,202, assuming the Maximum Subscription; and</li> <li>- \$697,990, assuming the Offer is fully subscribed and the Company accepts \$10,000,000 in oversubscriptions.</li> </ul> <p>The costs of the Offer will be borne by the Company.</p>	Section 7.9
What fees and costs are payable by a MVT Notes Noteholder?	No fees, charges, brokerage, commission or stamp duty is payable by you on your Application for MVT Notes. You may be required to pay brokerage if you sell your MVT Notes after MVT Notes are quoted on the ASX.	
Is the Offer underwritten?	No. The Offer is not underwritten.	Section 8.1
Who is the Lead Manager to the Offer?	Taylor Collison Limited is the lead manager to the Offer.	
Is there a Minimum Subscription?	<p>You must apply for a minimum of 20 MVT Notes, which is a minimum investment of \$2,000.</p> <p>The Offer will not proceed unless MVT receives</p>	Section 8.3

Question	Answer	More Information
	Applications for, and issues, at least 100,000 MVT Notes raising gross proceeds of \$10 million.	
Is there a cooling off period?	No.	Section 8.1
Where can I find more information about this Prospectus or the Offer?	<p>For more information, please call 1300 306 413 or +61 1300 306 413 from 8.30am until 5.30pm (Sydney time), Monday to Friday during the Offer Period. Additional documents relevant to MVT will be available during the Offer Period from <a href="https://events.miracle.com/MVTNotes-Offer">https://events.miracle.com/MVTNotes-Offer</a>.</p> <p>If you are uncertain as to whether an investment in the MVT Notes is suitable for you, please contact your stockbroker, financial advisor, accountant, lawyer or other professional advisor.</p>	
Can the Offer be withdrawn?	<p>The Issuer reserves the right not to proceed with the Offer at any time before the issue of MVT Notes to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be fully refunded.</p> <p>No interest will be paid on any Application Monies refunded if the Offer does not proceed.</p>	Section 8.7

## 2. About MVT Notes

Issue	Information	More information
Interest Payment Dates	<p>Interest is scheduled to be paid semi-annually in arrears, on 30 June and 31 December, until all MVT Notes have been Redeemed.</p> <p>If any of these scheduled dates is not a Business Day, then the payment will generally be made on the next Business Day, unless the scheduled date is 30 June in which case the payment will be made on the immediately preceding 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 Interest payment will be made on 31 December 2016.</p> <p>It should be noted that, to assist you to complete your tax return, Interest scheduled to be paid for the Interest Period ending 30 June will include Interest payable up to (and including) 30 June and, if 30 June is not a Business Day, will be paid on the immediately preceding Business Day.</p>	Annexure A
Interest Payments	<p>Interest will be paid to MVT Noteholders whose details are recorded with the MVT Note Registrar at close of business on the Record Date, which is the date that is eight days prior to the relevant Interest Payment Date or such other date as determined by the Issuer and communicated to the MVT Noteholders and ASX or such other date as may be required by the ASX.</p> <p>Payments of Interest and repayment of the Face Value will be paid by electronic transfer to a bank account maintained with a financial institution nominated by the MVT Noteholder.</p>	Annexure A
Repayment of Face Value on the Maturity Date	<p>Subject to any early Redemption events, on the Maturity Date, you will receive:</p> <ul style="list-style-type: none"> <li>➤ Face Value; plus</li> <li>➤ the final payment of Interest for the period from (and including) the preceding Interest Payment Date to (but excluding) the Maturity Date.</li> </ul>	Annexure A
No early Redemption rights for MVT Noteholders	<p>MVT Noteholders do not have a right to request that their MVT Notes be Redeemed early for any reason.</p> <p>To realise your investment, you can sell your MVT Notes on the ASX, although there is a risk that the liquidity of MVT Notes may be low, and you may not be able to sell your MVT Notes at the Issue Price or an acceptable price or at all.</p>	Annexure A
Change of Control Event	<p>The Issuer has the right to fully (but not partially) Redeem all of the MVT Notes if a Change of Control Event occurs.</p> <p>MVT Noteholders do not have a right to request that their MVT Notes be Redeemed if a Change of Control Event occurs.</p> <p>In addition, to realise your investment, you can sell your</p>	Annexure A

Issue	Information	More information
	MVT Notes on the ASX, although there is a risk that the liquidity of MVT Notes may be low, and you may not be able to sell your MVT Notes at the Issue Price or an acceptable price or at all.	
Tax Event	<p>The Issuer has the right to fully (but not partially) Redeem all of the MVT Notes if a Tax Event occurs.</p> <p>MVT Noteholders do not have a right to request that their MVT Notes be Redeemed if a Tax Event occurs.</p> <p>In addition, to realise your investment, you can sell your MVT Notes on the ASX, although there is a risk that the liquidity of MVT Notes may be low, and you may not be able to sell your MVT Notes at an acceptable price or at all.</p>	Annexure A
Event of Default	<p>An Event of Default will occur if:</p> <ul style="list-style-type: none"> <li>➤ an Insolvency Event occurs with respect to the Issuer;</li> <li>➤ the Issuer fails to pay the Face Value or Interest on the due date for payment and has not rectified that default within 7 Business Days;</li> <li>➤ the Issuer commits a material breach of its obligations under the Transaction Documents that is remediable, and does not remedy that breach within the earlier of (A) receiving notice of that breach from the MVT Note Trustee and (B) the Issuer becoming aware of the failure to comply; or</li> <li>➤ the Issuer commits a material breach of its obligations under the Transaction Documents and 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) the Issuer becoming aware of the failure to comply.</li> </ul> <p>If an Event of Default occurs and is subsisting, the MVT Note Trustee may declare that all MVT Notes are to be Redeemed for their Face Value plus any final Interest payment for the final Interest Period and may make a claim for this amount in any winding-up of MVT.</p> <p>The MVT Note Trustee must require all of the MVT Notes to be fully (but not partially) Redeemed if:</p> <ul style="list-style-type: none"> <li>(a) an Event of Default occurs and is subsisting;</li> <li>(b) it is so directed by Special Resolution;</li> <li>(c) it is indemnified to its reasonable satisfaction; and</li> <li>(d) it is not restricted or prohibited from taking such action by any court order or any applicable law.</li> </ul> <p>Unless the MVT Note Trustee is obliged to take action to enforce the rights of the MVT Noteholders and fails to do so within 20 Business Days, individual MVT Noteholders are not entitled to take action to require the Redemption of their MVT Notes. If any MVT Noteholder takes any action to enforce the obligations of the Issuer under the MVT</p>	Annexure A

Issue	Information	More information
	<p>Notes following a failure by the Trustee to take any action it is required to take under the Trust Deed or the Terms within the required time periods, then that MVT Noteholder must take such action in its own name and not in the name of the Trustee.</p> <p>In addition, to realise your investment, you can sell your MVT Notes on the ASX. Even if the MVT Notes remain Listed on the ASX, there is a risk that the liquidity of MVT Notes may be low, and you may not be able to sell your MVT Notes at the Issue Price or an acceptable price or at all.</p>	
No security or guarantee	MVT Notes are not secured by any assets of the Issuer or its controlled entities and do not have the benefit of any guarantee from any controlled entities of the Issuer.	
Voting rights for MVT Notes Noteholders	<p>MVT Noteholders do not have a right to vote at meetings of MVT Shareholders.</p> <p>MVT Noteholders may vote at the meetings for MVT Noteholders in accordance with the Trust Deed.</p>	Section 7.4
Issuer rights to issue further securities	<p>Subject to the Terms of the MVT Notes, the Issuer has the right to issue additional MVT Notes and has the right to issue other securities that have the same or different interest or distribution rates, maturities, or terms and conditions to MVT Notes and which may rank after, equally with, or ahead of MVT Notes whether or not secured. If such securities rank ahead of MVT Notes, they may affect your ability to recover Interest or Face Value due to you on an Insolvency Event or on the occurrence of any other Event of Default.</p> <p>A holding of MVT Notes does not confer any right to participate in further issues of securities by the Issuer.</p>	Annexure A
Amendments of the Terms	The Issuer may amend the Terms if the amendment has been approved by a Special Resolution of MVT Noteholders, or without the consent of MVT Noteholders in limited other circumstances.	Annexure A
Role of the MVT Note Trustee	<p>The MVT Note Trustee holds the rights in relation to the MVT Notes on trust for MVT Noteholders under the Trust Deed. In certain circumstances, the MVT Note Trustee will act on behalf of MVT Noteholders such as when an Event of Default occurs and is subsisting.</p> <p>The MVT Note Trustee holds the right to enforce any obligations of the Issuer under the Terms and Trust Deed on trust for MVT Noteholders. The MVT Note Trustee will be entitled to take any action against the Issuer to enforce any such obligations of the Issuer, subject to the terms of those documents. The MVT Note Trustee must take action to enforce the Terms and Trust Deed if it has been directed to do so by the required majority of MVT Noteholders (or as the Terms otherwise oblige it to act) and it is indemnified to its reasonable satisfaction and is not restricted or prohibited from taking such action by any court order or any applicable law.</p>	Section 7.4

Issue	Information	More information
	MVT Noteholders will not be entitled to take any action to enforce any right or remedy under the Terms or Trust Deed unless the MVT Note Trustee fails to do so within a reasonable period after becoming required to take that action in accordance with the Trust Deed. If the MVT Note Trustee continues to fail to act, for a period of 20 Business Days, a MVT Noteholder may take action in its own name and not in the name of the MVT Note Trustee.	
Governing law	New South Wales, Australia.	

### 3. About Mercantile

#### 3.1. Issuer of MVT Notes

The Issuer of MVT Notes is Mercantile Investment Company Limited. The MVT Note Trustee will hold the benefit of undertakings given by the Issuer in respect of its operations and the MVT Notes on trust for MVT Noteholders and will act to enforce the Trust Deed and rights of MVT Noteholders under the Trust Deed.

#### 3.2. Overview of Mercantile

Mercantile Investment Company Limited is an investment company listed on the ASX and on the NZX Main Board. The Company's principal activities are investing directly and through controlled entities in securities that the Board considers are likely to provide attractive risk adjusted returns, including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation, as appropriate. The Company may also hold cash.

On 6 January 2012, Shareholders approved the acquisition of a portfolio of listed securities from Siblow Pty Ltd (**Siblow**) in exchange for a controlling shareholding in the Company and the appointment of Siblow's controller, Sir Ron Brierley, to the Board. From that date to 30 April 2016, net tangible asset backing per Share (after tax) (**NTA**) increased from 6.4 cents to 16.14 cents, representing a compound return of approximately 23.8% per annum.

As at close of trading on 30 April 2016, the Company's market capitalisation was approximately \$36.4 million (based on a closing price of MVT Shares on ASX on that date of \$0.13).

#### 3.3. Investment objectives and strategy

Unlike many other listed investment companies, the Company does not have an external manager. Instead, the Company invests selectively on a broad range of criteria under the Board's supervision.

As the Company's investments are managed internally, there is no set investment mandate or restrictions on investment management. The Board monitors the Company's investments and applies the investment principles the Chairman has applied over more than 50 years (see Section 3.11 for details on the experience of the Chairman and other Directors). The Company's investments are not restricted by size or market capitalisation, whether the relevant entities are listed or unlisted, their industry, geographic location (although the Company's current portfolio is dominated by Australian, New Zealand and United Kingdom entities) or any other characteristic.

The Company is able to take up investment opportunities the Board deems appropriate, as, when, and where they arise.

There is no guarantee that the Company will be successful in achieving its investment objective of providing attractive risk-adjusted returns.

### 3.4. Investment portfolio

The Company holds a portfolio of Australian and selected international financial assets, both listed and unlisted. As at 31 December 2015, the top 20 investments in Company's portfolio, representing approximately 91% of the value of the portfolio of the Company and its controlled entities (**Group**) was as follows:

Portfolio Composition		
As at 31 December 2015		
Rank	Name	Value as at 31 December 2015
1	Ingenia Communities Group	\$19,809,339
2	Foundation Life (unlisted)	\$3,841,620
3	Richfield International Limited	\$2,565,875
4	Unity Pacific Group	\$2,494,534
5	Ask Funding Limited	\$1,826,975
6	Fitzroy River Corporation Limited	\$1,791,896
7	Smiths City Group Limited (NZ)	\$1,466,266
8	Stanmore Coal Limited	\$1,248,100
9	Impact Holdings UK PLC (UK)	\$1,206,868
10	Joyce Corporation Limited	\$1,030,000
11	Cellnet Group Limited	\$981,071
12	Kirkcaldie & Stains Limited (NZ)	\$811,910
13	IPE Limited	\$702,887
14	European Real Estate Investment Trust	\$603,946
15	Asset Backed Yield Trust (unlisted)	\$531,319
16	Afterpay Holdings Pty Limited (unlisted)	\$500,000
17	Smart (J.) & Co. (Contractors) PLC (UK)	\$407,563
18	YPB Group Limited	\$366,843
19	Myer Holdings Limited	\$358,500
20	Ezeatm Corporation Limited	\$344,469

Since 31 December 2015 there have been two material changes to the Group's portfolio, being:

- (a) the acquisition of a portfolio of securities (directly and indirectly) listed on the London Stock Exchange (**UK Portfolio**) for approximately \$4.63 million, funded using the Short Term Debt Facility; and
- (b) the ASX listing of Afterpay Holdings Pty Limited (**Afterpay**) at \$1.00 per Afterpay share. The Company's shares in Afterpay, acquired prior to the IPO, are subject to escrow restrictions. This is reflected in the pro forma information for April 2016 set out in Section 4.6(f)

On 26 February 2016, the Company's wholly owned New Zealand subsidiary, Mercantile NZ Limited, announced a takeover offer for all issued shares in Kirkcaldie & Stains Limited, a company listed on the NZX Main Board. The funding for this transaction will be sourced from a combination of the Company's cash reserves and from the Short Term Debt Facility. As at 11 May 2016 Mercantile NZ Limited held Shares representing 9.94% and had received acceptances under its takeover bid in respect of a further 1.9% of the issued shares of Kirkcaldie & Stains Limited.

### 3.5. Structure of Mercantile

The Company holds shares in a number of controlled entities (including entities such as Ask Funding Limited, in which the Company holds 71.7% voting power) as a result of its investment activities. The Company's controlled entities as at 30 April 2016 were:

- (a) Mercantile ADF Pty Ltd (ACN 125 376 285);
- (b) Mercantile IAM Pty Ltd (ACN 133 653 175);
- (c) Mercantile IAH Pty Ltd (ACN 136 640 769);
- (d) Mercantile OFM Pty Ltd (ACN 120 221 623);
- (e) Mercantile NZ Limited;
- (f) Murchison Metals Ltd (ACN 078 257 799);
- (g) ATL Exploration Pty Ltd (ACN 094 503 385);
- (h) Jack Hills Holdings Pty Ltd (ACN 127 384 696);
- (i) MMX Investments Pty Ltd (ACN 127 812 659);
- (j) MMX Port Holdings Pty Ltd (ACN 127 558 310);
- (k) MMX Rail Holdings Pty Ltd (ACN 127 558 294);
- (l) Weld Range Mining Pty Ltd (ACN 121 464 766); and
- (m) Ask Funding Limited (ACN 094 503 385).

The Company and its controlled entities hold the beneficial interest of all financial assets within the portfolio directly or through custodians.

### 3.6. Raising further equity or debt

At the Company's discretion and depending on market conditions, proceeds from any further debt or equity issues may be utilised to acquire new investments, for working capital or to service or refinance debt (including MVT Notes).

The Company may at a future date decide to issue further MVT Notes or obtain other debt in the Company or its controlled entities. A further issue of MVT Notes may be undertaken if there is demand for investment in those notes and if such an issue were to fall within the Company's parameters of appropriate borrowing.

As at the date of this Prospectus, there are no planned future issues of either MVT Notes or MVT Shares.

### 3.7. Capital management policy

Subject to any restrictions imposed under the Corporations Act, Listing Rules and the Company's Constitution, the Board monitors and considers the capital management of the Company on a regular basis. The Company has not undertaken an on-market buyback or capital reduction since 2012 but might do so in the future.

### 3.8. Risk management policy

The Company is committed to managing risk to protect its staff, the environment, company assets and its reputation as well as to realise opportunities. The Company's policy is to consider the balance of risk and reward, as far as practicable, in order to optimise the returns gained from its investment activities and to meet the expectations of its stakeholders.

The Board implements this policy by ensuring that adequate procedures are in place to identify the principal risks of the Company's business and implementation of appropriate systems to manage these risks. The Board has delegated to the Audit & Risk Committee responsibility for:

- (a) advising the Board on the matter of internal controls including financial statements, due diligence, financial systems integrity and risk management;
- (b) establishing and maintaining processes to ensure that there are adequate systems of internal control, risk management and safeguarding of assets;
- (c) overseeing the relationship, appointment and work of auditors; and
- (d) recommending to Shareholders the termination of the external auditor's appointment where appropriate.

Management implements this policy by establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the company. Management is expected to report routinely to the Board, via the Audit & Risk Committee, its performance in managing the Company's risk profile.

The Audit & Risk Committee having due regard for the current size and complexity of the Company does not believe an internal auditor is warranted at this point in the Company's development.

### **3.9. No foreign exchange hedging**

The Company does not presently hedge its exposure to foreign exchange movements.

### **3.10. Dividend policy**

No dividends were paid or are payable for the financial year ended 30 June 2015 or half-year ended 31 December 2015. The Directors will continue to consider the capacity of the Company to pay dividends in the future.

### **3.11. Board of Mercantile**

The Board consists of Sir Ron Brierley, Gabriel Radzynski, James Chirnside, Ron Langley, Daniel Weiss, and Dr Gary Weiss (alternate director for Daniel Weiss).

#### ***Sir Ron Brierley – (Chairman and Non-Executive Director)***

Sir Ron founded Brierley Investments Ltd in 1961 and as Chairman of that company implemented his investment approach successfully over the next 30 years, retiring as a director in 2001. Sir Ron was appointed Chairman of Guinness Peat Group plc (GPG) in 1990 where he also applied his investment approach. GPG was renamed Coats PLC (Coats) on 6 March 2015. Sir Ron stepped down as a director of Coats on 21 April 2015.

He is the Chairman of the Board.

#### ***Gabriel Radzynski – BA (Hons), MCom (Executive Director)***

Gabriel is the founder and Managing Director of Sandon Capital Pty Ltd, a boutique investment management and advisory firm. He is portfolio manager of the Sandon Capital Activist Fund, a fund targeting undervalued and underperforming companies. Sandon Capital Pty Limited also provides advisory services to shareholders seeking to implement activist strategies.

Gabriel was a past member of both the Audit & Risk Committee and Remuneration Committee.

He is Chairman of Sandon Capital Investments Limited and is a non-executive director of ASK Funding Limited and Future Generation Investment Company Limited.

***James Chirnside – (Independent Non-Executive Director)***

James has worked in financial markets for 30 years - mainly as a fund manager across a broad range of sectors.

James is currently Chairman and Managing Director of ASX listed Dart Mining NL. Dart is a junior Mining and Exploration company with operations in North-east Victoria. The principal focus and activity of Dart Mining is Gold and base metals development.

Historically James has worked as a fund manager, proprietary metals trader, and derivatives broker in Sydney, Hong Kong, London, and Melbourne.

James operated Asia Pacific Asset Management between 2002 and 2012. APAM was an Australian and Asian Equities Fund management group.

From 2000-2001 James worked for Challenger Financial Group in Sydney as a product manager, responsible for hedge fund development and investments.

During the 1990's James managed emerging market hedge funds in Hong Kong and London for Regent Fund Management now known as AIM listed Charlemagne Capital.

Between 1988 and 1992 James ran a Proprietary trading book for County NatWest Investment Bank, based in London. At County he was primarily focussed on closed-end Country Funds, Energy products and derivative arbitrage strategies. He has also worked for Bell Commodities and commodity trading giant NYSE listed Bunge Inc.

He is the Chairman of the Audit & Risk Committee and a member of the Nomination & Remuneration Committee.

James holds directorships in Dart Mining NL, Cadence Capital Ltd, WAM Capital Ltd and Ask Funding Limited.

***Ronald Langley – BCom (Hons) (Independent Non-Executive Director)***

Ron has been an international value investor for the past 36 years and has held directorships in companies in several countries around the world. After living in the US for 25 years and building 2 substantial businesses, Ron returned to Sydney in 2009 and manages a personal investment fund which includes some unlisted emerging companies. Ron holds a directorship in YPB Group Limited.

Ron is the Chairman of the Nomination & Remuneration Committee and a member of the Audit & Risk Committee.

***Daniel Weiss BCom, LLB (Non-Executive Director)***

Daniel Weiss was appointed as a Non-Executive Director of Mercantile on 25 February 2015.

Daniel is the Investment Manager at Ariadne Australia Limited, an ASX-listed investment company. Prior to joining Ariadne in 2007, he worked in private equity and funds management in the United Kingdom. Daniel has a Bachelor of Commerce from the University of New South Wales and a Bachelor of Laws from the University of Sydney.

***Dr. Gary Weiss – LLB (Hons), LLM, JSD (Non-Executive Alternate Director)***

Dr Gary Weiss acts as an alternative director for Mr Daniel Weiss.

## 4. Financial Information about the Company

### 4.1. Restatement of accounts

In the context of the audit-review of the Company's financial statements for the half year ended 31 December 2015, the Company's new auditors identified errors relating to the presentation of the consolidated entity's statement of comprehensive income and statement of cash flows for the financial year ended 30 June 2015. These errors resulted in the Company's auditors including a disclaimer in their review report in respect of the half year to 31 December 2015. As a result, the financial statements for the Company for the financial year ended 30 June 2015 were the subject of a new audit. The restated audited financial statements for the year ended 30 June 2015 were released to ASX on 5 April 2016 and the restated reviewed financial statements for the half year ended 31 December 2016 were released to ASX without a disclaimer on 11 April 2016.

As there were no errors recorded in the consolidated statement of changes in equity, the effect on the net asset position and total equity of the consolidated entity for the half year to 31 December 2014 and the year ended 30 June 2015 was nil.

The impact on the consolidated entity's previously reported performance for the year ended 30 June 2015 was as follows:

- (a) understated profit by \$1,236,352;
- (b) overstated other comprehensive income by \$10,597,155;
- (c) overstated total comprehensive income by \$9,360,803;
- (d) overstated other comprehensive income attributable to members of the parent entity by \$9,360,803; and
- (e) overstating net cash provided by operating activities by \$3,795,961 and understating net cash provided by investing activities by the same amount.

The impact on the consolidated entity's previous reported performance for the half year ended 31 December 2014 was as follows:

- (f) understated profit after tax by \$14,032;
- (g) overstated other comprehensive income after tax by \$8,194,802;
- (h) overstated total comprehensive income after tax by \$8,180,770;
- (i) overstated total comprehensive income attributable to members of the parent entity by \$8,180,770; and
- (j) understating net cash provided by operating activities by \$2,349,211 and overstating net cash provided by investing activities by the same amount.

The financial information set out in this Prospectus relating to the financial year ended 30 June 2015 and the half year ended 31 December 2015 reflects the information set out in the restated financial statements.

### 4.2. Overview of financial performance

This and the following Section provide a summary of the historical financial performance and position of the Company. More detailed financial information is set out in Section 4.6.

For the year ended 30 June 2015 the Company generated total comprehensive income, net of tax, of \$1.87 million and an operating profit net of tax of \$0.49 million.

During the year the net tangible asset backing per Share (after tax) (**NTA**) increased from \$0.135 to \$0.142. The increase in NTA was primarily due to the increase in the market value of the Company's investments as well as interest, dividend and other income received during the year.

Total comprehensive income after income tax for the half year to 31 December 2015 was \$3.35 million (Dec 2014: loss of \$0.27 million). During the period the NTA increased from \$0.14 to \$0.15 (Dec 2014: remained at \$0.13). The half year to 31 December 2015 represented the first half-year period since taking a controlling interest in Ask Funding Limited in September 2015.

The Company's historical performance for the half year ended 31 December 2015 was due to the superior performance of the investment portfolio as compared against the prior corresponding period.

As the Company is an investment company with a dynamic and broad investment mandate, investors are reminded that past performance is not a reliable indicator of future performance. In particular, the improved performance of for the half year ended 31 December 2015 may not be indicative of a sustainable level of financial performance.

The market price of Shares increased over the period from \$0.125 per Share at close of trading on 30 June 2015 to \$0.14 per Share at close of trading on 31 December 2015.

### **4.3. Profile of earnings**

#### ***Cash flow profile***

The Company maintains a portfolio of investments and requires capital to acquire new investments. Funding for new acquisitions has historically come from a combination of two sources. The first is investment income from its existing portfolio including dividends – franked or otherwise - and distributions, returns of capital and proceeds from disposal of investments. The Company's other source of funding has been by way of short term loans from the Chairman, Sir Ron Brierley.

Cash flow from investment income is unpredictable as to both amount and timing. Investment income and/or operating losses can result from movements in the market value of the Company's investments in listed securities, interest, dividends and other income received during the year, as well as gains on disposal of assets and/or short term trading.

As at 31 December 2015, 88% of the Company's investment portfolios (both long term and short term) were equity positions that are traded in active markets (listed public exchanges). The total value of those investments as at 31 December 2015 was \$39,944,073. The Company's investment portfolio is dynamic, and is likely to change before obligations to pay Interest or Redeem MVT Notes under the Terms fall due. The Company is not able to guarantee capital gains on portfolio assets or indeed any other form of investment income. That income is subject to a wide range of variables relating to the underlying investments, making this aspect of the Company's cash flow irregular and inconsistent.

The Company is an investment company with a dynamic and broad investment mandate, with capacity to make investments in both liquid and illiquid assets. In the event that the Company is not able to refinance in order to Redeem MVT Notes, there is no certainty that there will be sufficient liquidity in the Company's assets to fund Redemption by their disposal. The board will have ongoing regard to the Company's obligations under the terms of the MVT Notes when making investment decisions.

The consolidated cash flow statements set out in Section 4.6(e) illustrates the historical cash flow for the consolidated entity.

Investors should note that the Company's activities, including its lending activities, mean that its profit/loss before interest and tax is not the only measure relevant to the Company's capacity to make Interest payments and to Redeem MVT Notes. See Section 4.6 for more detail.

The Group has made use of short term debt funding made available by Sir Ron Brierley as and when required for takeover bids, other asset acquisitions and/or working capital.

The Board monitors working capital levels closely to ensure the Group is appropriately resourced.

Issue of the MVT Notes will provide greater long term flexibility to the Group in its arrangements for funding its investment strategy.

### **Short Term Debt Facility**

As indicated above, from time to time the Chairman has provided short term funding support for the Company to enable it to undertake its investment activities. On 25 February 2016 existing loan arrangements were consolidated into a new short term debt facility (**Short Term Debt Facility**). The key terms of the Short Term Debt Facility are as follows:

- at the Company's request, the Chairman must advance (on an unsecured basis) up to a total of \$5 million or such other amount as agreed for ongoing working capital and/or investment acquisition purposes;
- the Company must pay interest on amounts outstanding at the cash rate published by the Reserve Bank of Australia from time to time; and
- the Company must repay all amounts outstanding under the Facility on the earlier of:
  - the date of issue of MVT Notes but only to the extent of funds raised under this Prospectus net of costs; and
  - the date elected by Mercantile;
- it is a revolving facility permitting it to be redrawn unless otherwise agreed by the parties or on termination of the facility;
- the Chairman may terminate the Short Term Debt Facility on six months prior written notice;
- the Company may repay all or any part of the amounts drawn under the facility without penalty.

The total amount outstanding under the Short Term Debt Facility as at the date of this Prospectus is \$10,003,264.

Funding sources for the Company's wholly owned subsidiary Mercantile OFM Pty Limited (**Mercantile OFM**)'s on-market takeover offer for Richfield International Limited (**RIS Takeover Offer**) included a funding commitment letter from the Chairman; this was not used as Mercantile OFM funded acquisitions under that takeover using the Company's existing cash reserves.

The principal and interest for all amounts outstanding under the Short Term Debt Facility are expected to be repaid from the proceeds of the Offer. The refreshed Short Term Debt Facility will remain available for the Company's use at its election.

### **4.4. Use of Offer proceeds and ongoing financing strategy**

Proceeds from the issue of MVT Notes will be used to pay the costs of the Offer and to repay any amounts outstanding under the Short Term Debt Facility. The balance of the proceeds of the Offer will be applied to fund the Company's investment strategy as outlined in Section 3.3, for working capital purposes and debt servicing purposes (including MVT Notes) consistent with the Company's investment strategy.

The Board will determine the optimal deployment of cash from the Offer (after payment of Offer costs and repayment of the Short Term Debt Facility) as circumstances and opportunities require. Apart from refreshment of the Short Term Debt Facility, no decision has been made about the amounts or proportions of the proceeds that will be used for each purpose, with the decision to be influenced by the amount raised and the commercial opportunities that arise.

The Company and its directly or indirectly owned subsidiaries may borrow or assume debt to fund the purchase of financial assets or any other purpose consistent with the Company's objectives.

#### 4.5. No leverage ratio target

The Company does not seek to maintain a target consolidated leverage ratio. The Company regularly monitors its borrowings and may, from time to time, adjust leverage ratios as it sees appropriate in light of circumstances and market conditions, which may vary from time to time. Leverage and working capital is monitored on a day-to-day basis (see Section 4.6(g) for information regarding the Company's current gearing and leverage ratios). The Company adopts a disciplined approach to borrowing and as at the date of this Prospectus, the only debt currently outstanding is under the Short Term Debt Facility.

#### 4.6. Detailed financial information

##### (a) Overview

This Section contains historical and pro forma historical financial information of the Issuer (the **Financial Information**), which comprises the following:

- historical audited restated consolidated profit and loss statements for the year ended 30 June 2015 as announced to ASX on 5 April 2016 (Section 4.6(c));
- historical reviewed consolidated restated profit and loss statements for the half-year ended 31 December 2015 as announced to ASX on 11 April 2016 (Section 4.6(c));
- historical audited restated consolidated statement of financial position as at 30 June 2015 as announced to ASX on 5 April 2016 (Section 4.6(d));
- historical reviewed restated consolidated statement of financial position as at 31 December 2015 as announced to ASX on 11 April 2016 (Section 4.6(d));
- historical audited restated consolidated cash flow statement for the year ended 30 June 2015 as announced to ASX on 5 April 2016 (Section 4.6(e));
- historical reviewed restated consolidated cash flow statement for the half-year ended 31 December 2015 as announced to ASX on 11 April 2016 (Section 4.6(e));
- historical unaudited pro forma consolidated statement of financial position as at 30 April 2016 illustrating the impact following this date of completion of the Offer and expenditure of funds associated with the Offer (Section 4.6(f)); and
- historical and pro forma financial ratios (Section 4.6(g)).

The Company is a disclosing entity for the purposes of the Corporations Act and, as a result, is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules, including an obligation to lodge half-yearly and annual financial reports with ASIC.

The Company's most recent financial report was for the half-year ended 31 December 2015 as announced to ASX on 11 April 2016 (**2016 Half Yearly Report**) and the most recent annual financial report was for the year ended 30 June 2015 as announced to ASX on 5 April 2016 (**2015 Annual Report**).

Copies of the 2015 Annual Report can be obtained from [www.asx.com.au](http://www.asx.com.au) and [www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au)

The Financial Information should be read in conjunction with the notes set out in the 2016 Half Yearly Report, the 2015 Annual Report, the risks described in Section 5 and other information contained in this Prospectus.

The Directors are responsible for the preparation and presentation of the Financial Information.

##### (b) Basis of Preparation

The Financial Information has been derived from:

- the 2016 Half Yearly Report which was reviewed by Pitcher Partners in accordance with Australian Auditing Standards; and
- the 2015 Annual Report which was audited by Pitcher Partners in accordance with Australian Auditing Standards.

The pro forma Financial Information detailed below has been prepared by the Directors of the Issuer to illustrate the financial position of the Company as at 30 April 2016, assuming completion of the Offer and expenditure of funds associated with the Offer had been completed as at 30 April 2016.

The accounting policies used in preparation of the Financial Information detailed below are consistent with those set out by the Issuer in its 2015 Annual Report. The basis of preparation of the Financial Information is set out below in Section 4.6(h).

(c) Consolidated Profit & Loss Statements

The reviewed consolidated profit and loss statement for the six months ended 31 December 2015 and the audited consolidated profit and loss statement for the 12 months ended 30 June 2015 of the Company are provided below.

	Year Ended 30 June 2015	Half Year Ended 31 December 2015
Revenue		
Dividends, return of capital & distribution income	1,421,187	1,671,313
Net realised loss on trading portfolio	(26,882)	(393,119)
Net unrealised gains / (loss) on trading portfolio	(1,436,524)	1,444,509
(Loss) / gain on acquisition of a controlled entity	713,103	(596,786)
Interest income	391,097	756,542
Other revenue	89,961	198,707
Total revenue	1,151,942	3,081,166
Expenses		
Accounting fees	67,348	31,256
Audit fees	37,420	34,615
Taxation service fees	135,677	34,219
Service agreement fees	168,636	84,886
Company secretary fees	87,285	22,922
Share registry fees	59,526	34,563
Brokerage	31,280	34,732
Impairment of loans and advances	-	853,261
Legal and professional fees	77,959	49,020
ASIC and ASX charges	52,939	43,306
Share based payments	-	164,000
Other operating costs	438,937	405,791
Total expenses	1,157,007	1,792,571
Profit / (loss) before income tax	(5,065)	1,288,595
Income tax (expense) / benefit	490,776	(836,853)
Profit for the period	485,711	451,742
Other comprehensive income / (loss)		
Movement in fair value of long term equity investments, net of tax	1,388,343	2,901,760
Total other comprehensive income / (loss)	1,388,343	2,901,760
Total comprehensive income / (loss) for the period	1,874,054	3,353,502
Profit / (loss) attributable to:		
Shareholders of Mercantile	485,711	582,515
Non-controlling interest	-	(130,773)
	485,711	451,742
Total comprehensive income / (loss) attributable to:		
Shareholders of Mercantile	1,874,054	3,484,275
Non-controlling interest	-	(130,773)
	1,874,054	3,353,502

	Year Ended 30 June 2015	Half Year Ended 31 December 2015
<b>Reconciliation to EBITDA</b>		
<b>Profit for the period</b>	<b>485,711</b>	<b>451,742</b>
Income tax expense / (benefit)	(490,776)	836,853
Interest (income)	(391,097)	(756,542)
Interest expense	46,982	22,211
<b>Earnings before interest, taxation, depreciation and amortisation</b>	<b>(349,180)</b>	<b>554,264</b>

Between 30 June 2015 and 31 December 2015, the Company acquired a controlling interest (71.74%) of ASK Funding Ltd (**ASK**). The investment in ASK became consolidated into the Company's accounts during this period. This gave rise to the inclusion of all of ASK's revenues and expenses into those of the Company, as well as the elimination of the non-controlling interest in ASK (that is, the portion of ASK's equity not owned by the Company), as shown above in the Consolidated Profit & Loss Statement as at 31 December 2015. For the period ended 31 December 2015, ASK contributed a loss of \$462,750 to the Company's results. The Company's share of this loss was equal to \$331,977 with the non-controlling interest share being \$130,773.

(d) Consolidated Statements of Financial Position

The reviewed consolidated statement of financial position for the six months ended 31 December 2015 and the audited consolidated statement of financial position for the 12 months ended 30 June 2015 of the Company are provided below.

	Year Ended 30-Jun-15	Half Year Ended 31-Dec-15
Cash and cash equivalents	6,117,624	4,820,505
Other current assets	3,406,054	14,170,069
<b>Total current assets</b>	<b>9,523,678</b>	<b>18,990,574</b>
<b>Total non-current assets</b>	<b>33,380,924</b>	<b>36,599,803</b>
<b>Total assets</b>	<b>42,904,602</b>	<b>55,590,377</b>
Payables	1,764,491	1,501,967
Current tax liability	473,096	805,881
Borrowings	-	4,645,510
<b>Total current-liabilities</b>	<b>2,237,587</b>	<b>6,953,358</b>
Deferred tax-liabilities	2,455,990	4,065,421
Borrowings	-	-
Other non-current liabilities	-	-
<b>Total non-current liabilities</b>	<b>2,455,990</b>	<b>4,065,421</b>
<b>Total liabilities</b>	<b>4,693,577</b>	<b>11,018,779</b>
<b>Net assets</b>	<b>38,211,025</b>	<b>44,571,598</b>

## (e) Consolidated Cash Flow Statements

The reviewed consolidated cash flow statement for the six months ended 31 December 2015 and the audited consolidated cash flow statement for the 12 months ended 30 June 2015 of the Company are provided below.

	Year Ended 30-Jun-15	Half Year Ended 31-Dec-15
<b>Cash Flows from Operating Activities</b>		
Dividends, Distributions and Other Investment Income	1,447,082	1,591,371
Other Payments in the Course of Ordinary Operations	(873,601)	(791,523)
Proceeds from Sale of Trading Securities	95,507	1,490,027
Payments for Trading Securities	(2,750,384)	(6,227,201)
Interest Received	351,061	273,914
Interest Paid	(46,982)	-
<b>Net Cash (Used In) / Provided by Operating Activities</b>	<b>(1,777,317)</b>	<b>(3,663,412)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from Disposal of Available-for-Sale Investments	9,132,594	699,332
Payments for Available-for-Sale Investments	(7,796,448)	(1,735,660)
Net Cash Acquired on Acquisition of a Controlled Entity	3,795,961	(1,531,499)
Proceeds from Return of Capital	463,689	599,186
Loans Repaid by Clients	-	48,465
<b>Net Cash Provided by / (Used in) Investing Activities</b>	<b>5,595,796</b>	<b>(1,920,176)</b>
<b>Cash Flows from Financing Activities</b>		
Loan Repayments Received	289,362	-
Proceeds from Borrowings	-	3,000,000
Repayment of Borrowings	(2,912,241)	-
Proceeds from Share Registry	1,162,187	-
Share Issue Transaction Costs	(139,295)	(28,577)
Proceeds from Issue of Shares	2,769,874	1,315,046
<b>Net Cash Provided by Financing Activities</b>	<b>1,169,887</b>	<b>4,286,469</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents Held</b>	<b>4,988,366</b>	<b>(1,297,119)</b>
<b>Cash and Cash Equivalents at the Beginning of Period</b>	<b>1,129,258</b>	<b>6,117,624</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>6,117,624</b>	<b>4,820,505</b>

## (f) Unaudited Pro Forma Consolidated Statements of Financial Position

*Unaudited Pro Forma post 30 April 2016 Adjusted Statement of Financial Position*

	Audit-reviewed Statement of Financial Position <sup>1</sup>	Unaudited Statement of Financial Position <sup>2</sup>	Pro Forma Statement of Financial Position <sup>3</sup>	Pro Forma Statement of Financial Position <sup>4</sup>	Pro Forma Statement of Financial Position <sup>5</sup>
	31 December 2015	30 April 2016	\$10 million	\$15 million	\$25 million
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cash and cash equivalents	4,821	2,640	2,214	7,146	16,939
Other current assets	14,170	21,677	21,694	21,698	21,712
<b>Total current assets</b>	<b>18,991</b>	<b>24,317</b>	<b>23,907</b>	<b>28,845</b>	<b>38,650</b>
<b>Total non current assets</b>	<b>36,600</b>	<b>39,382</b>	<b>39,504</b>	<b>39,523</b>	<b>39,581</b>
<b>Total assets</b>	<b>55,591</b>	<b>63,699</b>	<b>63,411</b>	<b>68,367</b>	<b>78,231</b>
Payables	1,502	1,449	1,449	1,449	1,449
Current tax liability	806	657	657	657	657
Borrowings	4,646	10,003	-	-	-
<b>Total current liabilities</b>	<b>6,954</b>	<b>12,110</b>	<b>2,106</b>	<b>2,106</b>	<b>2,106</b>
Deferred tax liabilities	4,065	4,983	4,983	4,983	4,983
Borrowings	-	-	9,715	14,671	24,536
<b>Total non current liabilities</b>	<b>4,065</b>	<b>4,983</b>	<b>14,699</b>	<b>19,655</b>	<b>29,519</b>
<b>Total liabilities</b>	<b>11,019</b>	<b>17,093</b>	<b>16,805</b>	<b>21,761</b>	<b>31,625</b>
<b>Net assets</b>	<b>44,572</b>	<b>46,606</b>	<b>46,606</b>	<b>46,606</b>	<b>46,606</b>

1 The column headed: "Audit-reviewed Statement of Financial Position 31 December 2015" comprises the audit-reviewed consolidated statement of financial position of the Company as at 31 December 2015 set out in the 2016 Half Yearly Report.

2 The column headed: "Unaudited Pro forma Statement of Financial Position 30 April 2016" sets out the unaudited consolidated statement of financial position of the Company as at 30 April 2016.

3 The column headed: "Unaudited Pro forma Statement of Financial Position \$10 million" comprises the unaudited statement of financial position 30 April 2016 adjusted on the assumption that the following had occurred as at 30 April 2016:

- (a) the Company completes the issue of 100,000 MVT Notes (the minimum size of the Offer) to raise gross proceeds of \$10 million;
- (b) the payment of associated Offer costs of approximately \$423,130;
- (c) the application of \$10,003,264 drawn from the proceeds of the Offer and existing cash reserves of the Company to repay the Short Term Debt Facility.

4 The column headed: "Unaudited Pro forma Statement of Financial Position \$15 million" comprises the unaudited statement of financial position 30 April 2016 adjusted on the assumption that the following had occurred as at 30 April 2016:

- (a) the Company completes the issue of 150,000 MVT Notes (the maximum size of the Offer without oversubscriptions) to raise gross proceeds of \$15 million;

- (b) the payment of associated Offer costs of approximately \$490,202;
- (c) the application of \$10,003,264 drawn from the proceeds of the Offer to repay the Short Term Debt Facility.

5 The column headed: “Unaudited Pro forma Statement of Financial Position \$25 million” comprises the unaudited statement of financial position 30 April 2016 adjusted on the assumption that the following had occurred as at 30 April 2016:

- (a) the Company completes the issue of 250,000 MVT Notes (the maximum size of the Offer with oversubscriptions) to raise gross proceeds of \$25 million;
- (b) the payment of associated Offer costs of \$697,990;
- (c) the application of \$10,003,264 drawn from the proceeds of the Offer to repay the Short Term Debt Facility.

(g) Historical and Pro Forma Financial Ratios

Issuers of a prospectus offering “simple corporate bonds” to investors must include disclosure regarding the Gearing Ratio, Interest Cover and Working Capital Ratio for an issuer on a consolidated basis. The MVT Notes are not “simple corporate bonds” within the meaning of the Corporations Act. Nevertheless, to assist potential investors to understand the financial position and performance of MVT, the following disclosure regarding these ratios has been included.

The ratios included below have been calculated based on:

- the reviewed consolidated profit and loss statement for the six months to 31 December 2015;
- the unaudited pro forma consolidated statements of financial position as at 30 April 2016 incorporating completion of the Offer and expenditure of funds associated with the Offer included above.

Ratios have been provided for the purposes of this Prospectus only, based on the assumptions outlined, and will not be specified in the financial statements reported by the Company.

A description of the ratios follows this table.

	Financial Information 31 December 2015	Unaudited Financial Information 30 April 2016	Minimum Subscription \$10m	Maximum Subscription \$15m	Over Subscription \$25m
<b>Gearing Ratio</b>	24.7%	36.7%	36.1%	46.7%	67.9%
<b>Leverage Ratio</b>	8.4%	15.7%	15.3%	21.5%	31.4%
<b>Interest Cover - EBITDA (6 months to 31 December 2015)</b>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>2</sup>	N/A <sup>3</sup>	2.1 x <sup>4</sup>
<b>Working capital ratio</b>	2.7 x	2.0 x	11.4 x	13.7 x	18.4 x
<b>Net Interest (Income)/Expense</b>	N/A <sup>1</sup>	N/A <sup>1</sup>	\$(334,331)	\$(134,331)	\$265,669

Notes:

- 1 Interest expense for the consolidated Group for the half year to 31 December 2015 was \$22,211 being interest payable under the Short Term Debt Facility. Interest income for the consolidated Group for the half year to 31 December 2015 was \$756,542. As there was Net Interest Income for this period, there is no Interest Cover – EBITDA ratio to present for the half year ended 31 December 2015.

2. The Interest Cover – EBITDA reflects the relevant ratios for the half year ended 31 December 2015 recorded in the Half Yearly Report adjusted to include the interest expense that would have been incurred by the Company had the Company issued 100,000 MVT Notes raising \$10 million (being the minimum subscription under the Offer) as at 1 July 2015. Periodic amortisation of capitalised Offer costs set out in the column entitled “Unaudited Proforma Statement of Financial Position \$10 million” has also been included for the half year to 31 December 2015. As there was Net Interest Income for this period, there is no Interest Cover – EBITDA ratio to present under these assumptions.
3. The Interest Cover – EBITDA reflects the relevant ratios for the half year ended 31 December 2015, adjusted to include the interest expense that would have been incurred by the Company had the Company issued 150,000 MVT Notes raising \$15 million (being the maximum subscription under the Offer without oversubscriptions) as at 1 July 2015. Periodic amortisation of capitalised Offer costs set out in the column entitled “Unaudited Proforma Statement of Financial Position \$15 million” has also been included for the half year to 31 December 2015. As there was Net Interest Income for this period, there is no Interest Cover – EBITDA ratio to present under these assumptions.
4. The Interest Cover – EBITDA reflect the relevant ratios for the half year ended 31 December 2015 recorded in the Half Yearly Report adjusted to include the interest expense that would have been incurred by the Company had the Company issued 250,000 MVT Notes raising \$25 million (being the maximum subscription under the Offer with oversubscriptions) as at 1 July 2015. Periodic amortisation of capitalised Offer costs set out in the column entitled “Unaudited Proforma Statement of Financial Position \$25 million” has also been included for the half year to 31 December 2015. As there was a Net Interest Expense for this period, the Interest Cover – EBITDA ratio is presented.

#### *Gearing Ratio and Leverage Ratio*

The Gearing Ratio is:

$$\text{Gearing Ratio} = \frac{\text{Total Liabilities}}{\text{Total equity}}$$

The Gearing Ratio is in the form for a prospectus offering “simple corporate bonds”. The Gearing Ratio does not represent the traditional gearing ratio adopted by the Company or the industry, which has been included as the Leverage Ratio below.

The Leverage Ratio is:

$$\text{Leverage Ratio} = \frac{\text{Gross Debt}}{\text{Gross Assets}}$$

The Gearing Ratio and the Leverage Ratio indicate the extent to which the assets of the Company are funded by debt. Generally, a higher ratio indicates greater use of borrowings to fund a business. The impact that this would have on the MVT Notes will depend on where any additional borrowing will rank in the Company’s debt structure.

#### *Interest Cover Calculations*

Interest Cover gives an indication of the Company’s ability to meet its interest payments from earnings. It therefore provides important information about the Company’s financial sustainability and the risks associated with the Issuer’s level of borrowings. A low Interest Cover may indicate that the Issuer could face difficulties in servicing its debt (including the MVT Notes) if earnings decrease or interest rates increase and the Company does not have access to sufficient cash reserves to service that debt.

The Interest Cover – EBITDA Ratio is:

$$\text{Interest Cover} = \frac{\text{EBITDA}}{\text{Net Interest expense}}$$

The EBITDA figure is often used to calculate interest cover, as it seeks to provide a measure of “earnings” available for debt servicing. The Company has a number of investments that are debt instruments or securities that pay interest to the Company, which incoming interest is therefore available to service the interest on the Company’s debt.

The Company’s net interest is therefore an income (rather than an expense) over the relevant periods, both in the case of the Minimum Subscription and the Maximum Subscription under the Offer. It is only in the case of Over Subscription under the Offer that the net interest is an expense.

The Company’s interest income is derived from loans made to third parties as well as interest from investments and interest income derived by ASK, all of which is reported on a consolidated basis in the statements of financial income; see Section 4.6(c) for more detail. ASK is a controlled entity of the Company rather than a wholly owned subsidiary; see Section 4.6(c) for accounting treatment of the non-controlling interest. The Company’s interest income is unpredictable as to both amount and timing. As the Company is an investment company with a dynamic and broad investment mandate, investors are reminded that past performance is not a reliable indicator of future performance. In particular, the interest income for the half year ended 31 December 2015 and the period ended 30 April 2016 may not be indicative of a sustainable level of interest income.

The Board will, however, have regard to the Company’s obligation to service its debt (including making payments under the Terms) when making investment decisions.

The EBITDA figures used to calculate the Interest Cover ratios are historic, and assume there is no increase in investment income from the Company deploying the proceeds of the MVT Notes in each scenario. This means that the EBITDA remains the same while the net interest expense increases in each scenario.

Due to the Company’s investment approach, the Interest Cover – EBITDA Ratio is only available for the Company in the case of Over Subscription under the Offer. Investors should consider all ratios together before making an investment decision. The Working Capital Ratio is:

$$\text{Working Capital Ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

A Working Capital Ratio indicates whether the issuer has sufficient short-term assets to meet its short-term liabilities. Generally, a higher ratio indicates a greater ability to meet liabilities (including the liability to pay Interest on the MVT Notes) over the short term (including unexpected liabilities).

Due to the Company’s investment approach, investors should consider all ratios together before making an investment decision. Consideration of one ratio in isolation may not provide a good indication of the Company’s ability to meet its interest payments.

#### (h) **Basis of preparation**

The Financial Information in this Section 4.6 has been prepared in accordance with the Australian Accounting Standards and interpretations, issued by the AASB and the Corporations Act, as appropriate for for-profit oriented entities (as modified for inclusion in the Prospectus).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements and the pro forma consolidated statements of financial position are presented in the Company’s complete financial report as at 30 June 2015, which is available from the Company’s website at

[www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au) or via ASX at [www.asx.com.au](http://www.asx.com.au). They have been consistently applied unless otherwise stated.

The Financial Information presented in this Prospectus is presented in an abbreviated form and does not contain all of the disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. The Financial Information has been prepared on the basis of assumptions outlined in Section 4.6. The Financial Information has been prepared on an accrual basis and is based on historical costs.

## 5. Risks

### 5.1. Introduction

An investment in the MVT Notes issued by the Issuer will be exposed to a number of risks, which may either individually, or in combination, materially and adversely affect the future operating and financial performance of the Issuer, its investment returns and the value of an investment in MVT Notes.

Risks that the Directors believe are key risks associated with MVT Notes specifically are described in Section 5.2 below. Specific investment risks related to the Company's business are set out in Section 5.3. General investment risks are discussed in Section 5.4.

Prospective investors should be aware that this is not an exhaustive list of the risks associated with an investment in the MVT Notes and should be considered in conjunction with other information disclosed in this Prospectus. Investors should also note that the occurrence or consequences of some of the risks described in this section of the Prospectus are partially or completely outside the control of the Issuer and the Directors. There can be no guarantee that the Company will achieve its stated objectives or that any forward looking statements or forecasts contained in this Prospectus will be realised.

Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their stockbroker, solicitor, accountant or other independent professional advisor before deciding whether to invest.

### 5.2. Risks associated with MVT Notes specifically

*Holders of MVT Notes are subordinated and unsecured creditors*

If the Company becomes insolvent, MVT Noteholders' claims will rank after the claims of any secured creditors and creditors preferred by law.

MVT Notes are unsecured liabilities and will effectively rank, in an Insolvency Event (for example, if a liquidator is appointed to wind up the Company):

- behind senior debt;
- behind unsecured creditors preferred by law;
- pari passu (the same as) other unsecured creditors of the Company, including the Short Term Loan provided by Sir Ron Brierley (to the extent to which there are any borrowings under this facility); and
- ahead of ordinary shares in the Company.

As at the date of this Prospectus the Company had drawn \$10,003,264 under the Short Term Debt Facility but intends to repay this balance from proceeds of the Offer.

If at any time an Insolvency Event occurs in relation to the Company, any amount owing to MVT Noteholders will only be paid after all amounts owing to all other creditors ranking ahead of MVT Noteholders have been paid.

If, after the claims of creditors preferred by law and secured creditors are satisfied there are insufficient assets, to satisfy all of the unsecured creditors of the Issuer (including the MVT Noteholders), there is a risk that you may lose some or all of the money you invested in MVT Notes. If an Insolvency Event occurs there may be competing claims between MVT Noteholders and other unsecured creditors of the Issuer to recover amounts owed on the MVT Notes and by the Issuer.

*The Company may fail to pay Interest and/or repay the Face Value*

Depending upon its performance and financial position, the Company may fail to pay some or all of the Interest or repayment of the Face Value on MVT Notes. Section 4.6(g) outlines the Company's Interest Cover ratio, calculated depending on the amount raised under this Offer. A low Interest Cover may indicate that the Company could face difficulties in servicing its debt if earnings decrease or interest rates on other

borrowings increase and the Issuer does not have sufficient cash reserves to service its debt. The Company currently has significant interest income to offset its interest expense (see Section 4.6(g)) however there is no guarantee that this will continue.

There is a risk that the Company's working capital, which is funded from investment income (including dividends received, interest income, the proceeds from disposal of investments, and other payments from assets held) may not be sufficient to pay Interest and/or repay the Face Value.

The majority of the Company's investment portfolio as at the date of this Prospectus is traded on listed public exchanges and in active markets. The Company has a broad investment mandate has the capacity to invest in liquid and illiquid assets. The Company's dynamic approach to investment means that its portfolio is likely to change before obligations to make payments under the Terms fall due. The liquidity of the Company's assets can be affected by changes to the issuers of those financial assets, market factors, and various macroeconomic conditions. Those changes can have a negative or positive impact on asset liquidity; there is no way the Company can reliably predict any such changes. Should they occur, the Company will at that time seek to develop and implement strategies to mitigate those risks. The Company seeks to mitigate those risks through prudent and careful evaluation and selection of investments, and the Board will consider the Company's obligations under the Terms when making investment decisions.

In the event that working capital is insufficient to service the Company's debt, the Company may from time to time enter into various borrowing arrangements. The Company may draw down on the Short Term Debt Facility and/or use third party borrowing, if available. The terms of borrowing under the Short Term Debt Facility are more advantageous to the Company (Section 4.3) than might be available under other third party borrowing arrangements. The Chairman is able to terminate the Short Term Debt Facility on six months prior written notice. There is no way the Company can reliably predict the availability of third party borrowing in the event that the Short Term Debt Facility is terminated, or if the Short Term Debt Facility is insufficient to service the MVT Notes. In light of the Company's dynamic investment approach, which may result in unpredictable incomes, there is no certainty that the Company will obtain third party debt on terms acceptable to the Company, or at all.

The Company may also seek to issue Shares or other debt, equity, or hybrid securities. There is no guarantee that investors will take up any such offer.

If the Issuer does not repay some or all of the Face Value, this means that you may lose some or all of the money you invested in MVT Notes.

If an Event of Default occurs and is subsisting, the MVT Note Trustee may declare that all MVT Notes are to be Redeemed for their Face Value plus any unpaid Interest plus any final Interest payment for the last Interest Period and may make a claim for this amount in the winding-up of the Issuer.

The MVT Note Trustee is restricted from taking action to wind-up the Issuer under the Trust Deed.

The MVT Note Trustee can only be required to take enforcement action if it is indemnified to its satisfaction. There is a risk that, if it were not so indemnified the MVT Note Trustee would not take enforcement action.

*MVT Notes do not mature until 10 July 2021*

MVT Notes do not mature until 10 July 2021, approximately 5 years from the expected after the Issue Date. In the event that the timetable is changed, on announcement of completion of the Offer the final Maturity Date will be advised.

As a result, there is a risk that you will not receive repayment of the Face Value on or before 10 July 2021, and there is also a risk that the business, financial position and financial performance of the Company will change significantly over this period.

To realise your investment, once the MVT Notes are listed on the ASX, you can sell your MVT Notes on the ASX at the prevailing market price. However, depending on market conditions at the time, it is possible that MVT Notes may be trading at a market price below the Face Value and/or the market for MVT Notes may not be liquid. If liquidity is low, there is a risk that, if you wish to sell your MVT Notes prior to the Maturity Date, you may not be able to do so at an acceptable price, or at all. The Company may redeem MVT Notes if certain events occur.

The Company may Redeem all but not part of the Face Value of all MVT Notes following a Tax Event or a Change of Control Event. However, the Company is not required to do so even if one of these events occurs. An early redemption of MVT Notes would mean that you do not receive interest for the period between the early redemption date and 10 July 2021.

Depending on market conditions at the time, you may not be able to reinvest the amount you receive on Redemption at a similar rate of return to the rate of return you expected on your MVT Notes if you had held them until the Maturity Date and the timing or occurrence of the Redemption may not coincide with your individual preferences.

Individual MVT Noteholders are not entitled to take action to require the redemption of their MVT Notes until 20 Business Days after the MVT Note Trustee fails to do so.

Unless the MVT Note Trustee is obliged to take action to enforce the rights of the MVT Noteholders under the Trust Deed and fails to do so within 20 Business Days, individual MVT Noteholders are not entitled to take action to require the Redemption of their MVT Notes. For a summary of the Trust Deed, including the circumstances in which the MVT Note Trustee is required to take action to enforce the rights of the MVT Noteholders, see Section 7.4.

*The Company may raise more debt and issue further securities*

The Issuer has the right to raise more debt and issue further securities that:

- have the same or different interest rates as MVT Notes;
- have the same or different maturities as MVT Notes;
- have the same or different terms and conditions as MVT Notes; and
- rank for payment of principal or interest (including on insolvency) after, equally with, or ahead of MVT Notes, whether or not secured.

Following completion of this Offer until the Redemption Date, the Company may issue further MVT Notes at its discretion within its leverage and other relevant requirements set by the Board at the time of issue.

Any further debt raising or issue of further securities may affect your ability to recover Interest or Face Value due to you on an Insolvency Event occurring.

The Terms do not contain any covenants preventing the Company from raising more debt or issuing further securities, requiring the Company to refrain from certain business changes, or requiring the Company to operate within certain ratio limits.

A holding of MVT Notes does not confer any right to participate in further issues of securities by the Company.

It is difficult to anticipate the effect such further debt or issues of securities by the Company or its controlled entities may have on the market price or liquidity of MVT Notes.

Controlled entities of the Company may raise more debt within the leverage and other relevant Board requirements from time to time. The Terms do not contain any covenants preventing any of the Company's controlled entities from raising more debt, requiring those entities to refrain from certain business changes or requiring those entities to operate within certain ratio limits.

As your claim is only against the Company, it is only recoverable out of the assets of the Company, being the Company's investments in its financial assets and its cash reserves.

*The market price of MVT Notes will fluctuate*

The Company will apply for quotation of MVT Notes on the ASX. The market price of MVT Notes on the ASX will fluctuate due to various factors, which may include:

- changes in Australian and international economic conditions, interest rates, credit margins, inflation rates and foreign exchanges rates;
- the performance or financial position of the Company;
- movements in the market price of equity and/or other debt issued by the Company or by other issuers;
- changes in investor perceptions and sentiment in relation to the Company, the industries in which it invests, or the Australian and international financial markets; and
- other major Australian or international events such as hostilities and tensions and acts of terrorism.

MVT Notes may trade at a market price below the Face Value from time to time and the market price may be more sensitive than that of equity (including Shares) to changes in interest rates, credit margins and other market prices.

*The liquidity of MVT Notes may be low*

The market for MVT Notes may not be liquid and may be less liquid than that of equity (including Shares).

If liquidity is low, there is a risk that, if you wish to sell your MVT Notes prior to the Maturity Date, you may not be able to do so at the Issue Price or an acceptable price, or at all.

*The Company may amend the Terms*

The Company may amend the Terms in two ways:

- without the consent of MVT Noteholders but with the approval of the MVT Note Trustee and subject to compliance with relevant laws — if the amendment is of a formal, technical or minor nature; to cure an ambiguity or correct any manifest error; or necessary or expedient to comply with any applicable law; or
- with the consent of MVT Notes Noteholders — by a Special Resolution being passed.

In both cases, the Terms of all MVT Notes will be amended. However, in particular in the latter case, MVT Noteholders who did not vote with the majority will be subject to the amended Terms which may not coincide with their individual preferences.

*Breach of Trust Deed not always an Event of Default*

The Issuer has given undertakings to the MVT Note Trustee under the Trust Deed. These include obligations imposed by Chapter 2L of the Corporations Act. A failure to comply with these obligations (such as a material breach of the Trust Deed) may fall within the definition of Event of Default, entitling the MVT Note Trustee to require early Redemption of MVT Notes. If the Company fails to comply with its obligations under the Trust Deed, the rights of the MVT Note Trustee are limited to contractual rights and rights at common law and in equity. These rights include the right to seek to recover damages suffered by MVT Noteholders as a result of any breach and may in some circumstances include the ability to seek an order for specific performance of the obligations of the Company under the Trust Deed.

The MVT Note Trustee is restricted from taking action to wind-up the Issuer under the Trust Deed.

### 5.3. Risks Specific to the Business

#### *Key person risk*

The success and profitability of the Company in large part depends upon the retention of key personnel including the Chairman and the Executive Director, who have responsibility for managing its portfolio and implementing the investment strategy.

The Board monitors the Company's investments and applies the investment principles the Chairman has developed (see Section 2.14). The Chairman and the Executive Director manage the portfolio of the Company on a day-to-day basis, under the oversight of the Board. As the Company's investments are managed internally, there is no set investment mandate, or restrictions on investment management.

#### *No external predictability to investment decisions*

The Company is able to take up investment opportunities it deems appropriate, as, when, and where they arise. The Company has no set investment mandate, or restrictions on investment management. The Company's investments are not restricted by size or market capitalisation, whether the relevant entities are listed or unlisted, their industry, geographic location (although the Company's current portfolio is dominated by Australian and New Zealand entities) or any other characteristic. The investments held by the Company at any time may vary widely from those disclosed in Section 3.4.

#### *Foreign exchange risk*

As at the date of this Prospectus the Company holds approximately 26% of the value of its portfolio in assets domiciled outside Australia. The value of the Australian dollar has been subject to significant fluctuations in the past and may be subject to significant fluctuations in the future.

The Company does not currently intend to hedge, but at its absolute discretion may hedge, the potential foreign exchange impact of raising MVT Notes in Australian dollars.

#### *Historical cash flows*

The Company's investment portfolio generates cash flow in two key ways:

- purchase and sale of securities; and
- dividends, distributions and other forms of investment income.

Cash flows may be adversely affected by a number of factors including movements in the market value of the Company's investments in listed securities, as well as interest, dividends and other income received during the year, as well as gains on disposal of assets. The Company is not able to guarantee gains on divestment of portfolio assets, or indeed any other form of investment income. That income is subject to a wide range of variables relating to the underlying investments, making this aspect of the Company's cash flow irregular and inconsistent.

The ability of the Company to pay Interest on the MVT Notes will depend, among other things, on the Company, generating investment income, maintaining sufficient cash balances, entering alternative debt or equity funding arrangements, and disposal of assets. Similarly, the ability of the Issuer to repay the Face Value at maturity will depend upon the Issuer having access to funds from the sources set out above or any replacement financing package obtained by MVT by that date. There can be no certainty that the operating cash flow derived by the Company and its controlled entities will be sufficient to meet obligations to pay Interest and that it will have sufficient assets to redeem the Face Value of the MVT Notes at maturity.

#### *Australian and New Zealand taxation laws and accounting standards*

Changes to accounting standards or taxation laws may affect the reported earnings and financial position of the Issuer.

*Other tax considerations*

Changes in government legislation, including changes to taxation laws in the New Zealand and Australia, and changes in interpretation of the tax legislation by the New Zealand or Australian tax authorities, may affect future earnings and the relative attractiveness of investing in the Issuer.

*Borrowing risk*

It is important to note that borrowing may increase the potential return of the Issuer but may also increase its potential losses.

*Refinancing risk*

MVT Noteholders are exposed to the risk that the Issuer and its subsidiaries may not be able to refinance debt facilities it may enter into as they fall due, or that refinancing is only available on terms materially less favourable.

*Future acquisitions*

The Issuer intends to continue to acquire financial assets, including by way of takeover. The rate at which this occurs will depend on market conditions and the availability of suitable opportunities on appropriate terms at the time. There can be no guarantee that suitable opportunities will arise in future.

**5.4. General / other risks***Macroeconomic risks*

The value and liquidity of the assets of the Company can be affected by changes in various macroeconomic conditions. Changes in the Australian or international economic, technological, political or regulatory environment, as well as inflation and market sentiment, can have a negative or positive impact on asset values.

There is no way the Company can reliably predict any such changes. Should they occur, the Company will at that time seek to develop and implement strategies to mitigate those risks. The Company seeks to mitigate the impact of macroeconomic risks through prudent and careful evaluation and selection of investments.

*Regulatory risk*

Changes in Government legislation, regulation and policy may affect future earnings and values of assets held by the Company. Changes in accounting standards may also affect the reported earnings and financial position of the Company in future financial periods. There is no way the Company can reliably predict any such changes. Should such risks emerge, the Company will at that time, seek to develop and implement strategies that might mitigate those risks.

*Taxation risk*

Changes to the taxation laws and policies in Australia, New Zealand or other relevant jurisdiction might adversely impact the Company and/or MVT Noteholders. There is no way the Company can reliably predict or control any such changes.

*Counterparty risk*

There is a risk that counterparties which deal with the Company do not perform their obligations which may affect the value of, and returns from, the Company's assets and its ability to service and/or repay the MVT Notes. The Company seeks to reduce these risks by carefully managing its engagement with counterparties.

*No guarantee*

Neither the Issuer, nor any other person gives a guarantee regarding the payment of interest or principal of MVT Notes.

*Litigation risk*

In the course of its operations, the Company may be involved in disputes and litigation. The extent of those disputes and litigation cannot be ascertained at this time, but there are risks that costly disputes or litigation may adversely affect the profitability of the Company, value of its assets and ability to service and/or repay MVT Notes.

*Force majeure*

Force majeure is the term generally used to refer to an event beyond the control of any party, including acts of God, fire, floods, earthquakes, hurricanes, blizzards, wars and strikes. These events may adversely affect the Company and/or MVT Noteholders.

## 6. Australian tax considerations

### 6.1. Australian tax considerations

This section of the Prospectus provides a general summary of the key Australian income tax consequences for individuals, companies and complying superannuation entities who subscribe for MVT Notes under the Offer and hold the MVT Notes on capital account for Australian tax purposes.

#### (a) Qualifications

This summary does not take into account the Australian tax consequences for MVT Noteholders who acquire the MVT Notes otherwise than under the Offer, or acquire the MVT Notes in the course of trading or dealing in securities or otherwise hold the MVT Notes on revenue account or as trading stock. In addition, this summary does not take into account the potential application of the Taxation of Financial Arrangement (**TOFA**) rules which may apply to a MVT Noteholder, depending on the MVT Noteholder's individual circumstances.

This is a general summary only and is not intended to be and should not be taken as definitive Australian tax advice to a MVT Noteholder and does not consider all possible circumstances that may affect the position of each MVT Noteholder. Applicants should be aware that the actual Australian tax implications of investing in the MVT Notes may differ from those summarised in this Prospectus, depending on their individual circumstances. It is therefore recommended that Applicants seek independent professional advice having regard to their own specific circumstances in considering an investment in the MVT Notes.

This summary is based on the Australian tax laws, regulations and administrative practice of the Australian Taxation Office as at the date of this Prospectus. Applicants should be aware that any changes (with either prospective or retrospective effect) to the tax laws, regulations and/or administrative practices may affect the tax treatment of the Company and the MVT Noteholders as described in this Prospectus.

#### (b) Interest payable on MVT Notes

##### ***Debt interest***

The MVT Notes are a debt interest under the debt/equity borderline rules, which means that interest payable on the MVT Notes will be treated as "interest", rather than as dividends.

##### ***Australian residents***

Australian residents and non-Australian residents (who hold the MVT Notes in the course of carrying on business at or through a permanent establishment in Australia) will be required to include interest in their assessable income.

##### ***Non-residents***

Interest payable on the MVT Notes to non-Australian residents or Australian residents (who hold the MVT Notes in the course of carrying on business at or through a permanent establishment offshore) will be exempt from Australian interest withholding tax (**IWT**) where the conditions for exemption (summarised below) are satisfied. Where the conditions for exemption are not satisfied, IWT will apply at a rate of 10%.

##### ***Interest withholding tax exemption***

Currently, Australian tax law provides an exemption from IWT for certain publicly offered debentures, such as MVT Notes, where the following broad conditions are met:

- the issuer is a company that is an Australian resident for tax purposes (such as the Company) when it issues MVT Notes and when interest on MVT Notes is paid;
- the issue of MVT Notes satisfies the "public offer test" in section 128F of *the Income Tax Assessment Act 1936* (Cth) because, in particular:

- (a) they are accepted for listing on a stock exchange where there was a prior agreement with a dealer, manager or underwriter in relation to the placement of the MVT Notes, requiring MVT to seek such listing; and
- (b) the Company, at the time of issue, does not know, or have reasonable grounds to suspect, that MVT Notes or interests in MVT Notes were being, or would later be, acquired, directly or indirectly, by an associate of the Company that is a non-resident who is not carrying on a business in Australia at or through a permanent establishment of the associate in Australia (or who is a resident of Australia carrying on business at or through a permanent establishment outside Australia), other than in the capacity of a dealer, manager or underwriter in relation to a placement of MVT Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of a registered scheme within the meaning of the Corporations Act.

The IWT exemption will also not apply to interest paid by the Company to a person in respect of the MVT Notes if, at the time of the payment, the Company knows, or has reasonable grounds to suspect, that the person is an associate of the Company and the associate does not receive the payment in the capacity of a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme and either:

- the associate is a non-resident of Australia and the interest payment is not received in respect of the MVT Notes that the associate acquired in carrying on a business in Australia at or through a permanent establishment of the associate in Australia; or
- the associate is a resident of Australia and the interest payment is received in respect of the Notes that the associate acquired in carrying on a business in a country outside Australia at or through a permanent establishment of the associate in that country.

The MVT Notes should satisfy the above conditions such that interest payments on the MVT Notes are exempt from IWT.

(c) Redemption of MVT Notes

Where MVT Noteholders receive accrued interest on redemption of the MVT Notes, the Australian income tax consequences should be as described in Section 6.1(b) above.

Where the MVT Note is Redeemed for an amount less than the Face Value, the MVT Noteholder may be entitled to claim a deduction on revenue account for the loss on redemption provided that the redemption is undertaken on an arm's length basis.

However, a loss on redemption of MVT Notes should not be deductible if:

- MVT Notes were not acquired in the ordinary course of trading on a securities market; and
- at the time the Noteholder acquired the MVT Note, it was not open to the Noteholder to acquire an identical security in the ordinary course of trading on a securities market; and
- having regard to the financial position of the Issuer, and perceptions of the financial position of the Issuer, and other relevant matters, it would be concluded that the redemption of the MVT Note took place for the reason (or for reasons that included the reason) that there was an apprehension or belief that the Issuer was or would be likely to be, unable or unwilling to discharge all liability to pay amounts under the MVT Note.

Where a deduction is not available, the MVT Noteholder should be entitled to claim a capital loss.

(d) Sale of MVT Notes

Where the MVT Note is sold for an amount greater than the Face Value, the MVT Noteholder will be required to include the gain on disposal (calculated as the difference between the sale price and the Face Value) in their assessable income.

Where the MVT Note is sold for an amount less than the Face Value, the MVT Noteholder may be entitled to claim a deduction on revenue account for the loss on disposal provided that the disposal is undertaken on an arm's length basis. However, a deduction will not be available if:

- MVT Notes were not acquired in the ordinary course of trading on a securities market; and
- At the time the MVT Noteholder acquired the MVT Note, it was not open to the MVT Noteholder to acquire an identical security in the ordinary course of trading on a securities market; and
- the disposal did not take place in the ordinary course of trading on a securities market; and
- having regard to the financial position of the Issuer, perceptions of the financial position of the Issuer and any other relevant matters, it could be concluded that the MVT Note was disposed of for the reason (or for reasons that included the reason) that there was an apprehension or belief that the Issuer was or would be likely to be, unable or unwilling to discharge all liability to pay amounts under the MVT Note.

Where a deduction is not available, the MVT Noteholder should be entitled to claim a capital loss.

(e) Quotation of Australian Business Numbers or Tax File Numbers

The Issuer is required to deduct Pay-As-You-Go withholding tax from interest paid to MVT Noteholders at the highest marginal tax rate, including the Medicare Levy (currently 49%) if the MVT Noteholder has not quoted either their Tax File Number or Australian Business Number and none of the relevant exemptions apply. MVT Noteholders should generally be entitled to an income tax credit for any such tax withheld.

(f) Stamp Duty

No stamp duty should be payable in Australia on the issue, redemption or disposal of the MVT Notes.

(g) GST

The acquisition, disposal and redemption of MVT Notes should not be subject to GST.

## 7. Additional Information

### 7.1. No material breaches of loan covenants or debt obligations

The Issuer and other members of the MVT Group have not materially breached any loan covenants or debt obligations in the two years prior to the date of this Prospectus.

### 7.2. Compliance with Chapter 2M and section 674 of the Corporations Act

As at the date of this Prospectus, the Company has complied with the provisions of Chapter 2M of the Corporations Act as they apply to the Company, and section 674 of the Corporations Act in each case in all material respects.

### 7.3. Information excluded from continuous disclosure

While MVT is listed on the ASX, under the ASX Listing Rules, certain information may be excluded from being disclosed under MVT's continuous disclosure obligations.

As at the date of this Prospectus there is no information about MVT that has not been disclosed under MVT's continuous disclosure obligations that:

- (a) is information that investors and their professional advisors would reasonably require to make an informed assessment of:
  - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of MVT; and
  - (ii) the rights and liabilities attaching to the MVT Notes, and
- (b) is reasonable for investors, and their professional advisors, to expect to find in this Prospectus.

### 7.4. MVT Note Trust Deed

The Company and the MVT Note Trustee have entered into a trust deed, constituted under New South Wales law, and dated on or about 19 May 2016 (**Trust Deed**) which includes the Terms as a schedule. The Terms are also set out in Annexure A.

The Issuer will provide a copy of the Trust Deed upon request free of charge to potential investors during the period until the Issue Date and thereafter to MVT Noteholders who request a copy. A copy of the Trust Deed can be obtained free of charge by any person during the Offer Period, from [www.mercantileinvestment.com.au](http://www.mercantileinvestment.com.au).

The MVT Note Trustee has agreed to act as the trustee for the MVT Noteholders (as described below) under the terms of the Trust Deed. The MVT Notes will be issued subject to the terms and conditions of the Trust Deed.

The MVT Note Trustee is not responsible for monitoring compliance by the Company with its covenants and obligations under the Trust Deed or any other activities or status of the Issuer except as required by law. In this regard, the MVT Note Trustee is subject to certain statutory duties imposed on it under Chapter 2L of the Corporations Act including:

- (a) to exercise reasonable diligence to ascertain whether:
  - (i) the property of the Company that is or should be available will be sufficient to repay the amounts lent by MVT Noteholders in respect of the MVT Notes;
  - (ii) the Company has breached the Terms, the Trust Deed or the provisions of Chapter 2L of the Corporations Act; and

- (b) unless the MVT Note Trustee is satisfied the breach will not materially prejudice MVT Noteholders, it must do everything in its power to ensure the Issuer remedies such a breach.

While other duties of the MVT Note Trustee are set out in Chapter 2L of the Corporations Act, the following is a summary only of the principal provisions of the Trust Deed:

*Priority of the MVT Note Trustee*

All moneys that are received by the MVT Note Trustee under the Trust Deed will be applied first in payment of any amounts owing to the MVT Note Trustee in connection with the Trust Deed, the MVT Notes or any Additional Transaction Documents, secondly in payment of any amounts owing to an appointee under the Trust Deed, being a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official appointed to the Issuer or its assets, and thirdly in or towards payment of all amounts due and payable under each MVT Note by the Issuer under the Trust Deed equally and without preference or priority amongst the relevant MVT Noteholders.

The balance (if any) of the money remaining after those payments will be returned to the Issuer.

*Appointment of MVT Note Trustee and declaration*

The MVT Note Trustee holds on trust for MVT Noteholders:

- (a) the sum of \$10;
- (b) all right, title and interest vested in the MVT Note Trustee in, to and under the Trust Deed, including all rights and benefits under them;
- (c) the benefit of all undertakings, covenants, agreements, representations and warranties made or given or agreed to or in favour of, or granted to or for the benefit of, the MVT Note Trustee under the Trust Deed;
- (d) the right to enforce the Company's duty to repay the aggregate Face Value on the MVT Notes, any Interest and any other moneys payable to the MVT Note Trustee or the MVT Noteholders under the Trust Deed;
- (e) the right to enforce any other duties that the Issuer has under the Terms, the Trust Deed or Chapter 2L of the Corporations Act;
- (f) all money paid to the MVT Note Trustee under the Trust Deed in its capacity as trustee of the MVT Notes Trust;
- (g) the net proceeds of all money received or recovered by the MVT Note Trustee under the Trust Deed and Chapter 2L of the Corporations Act whether by enforcement or otherwise (after deduction of fees, costs, charges, expenses and other amounts paid or incurred in accordance with the Trust Deed and Chapter 2L of the Corporations Act);
- (h) the benefit of all claims, actions and demands arising in respect of the powers conferred on the MVT Note Trustee, a MVT Noteholder, or an Attorney or Controller (each as defined in the Trust Deed) appointed under the Trust Deed or any applicable law; and
- (i) all other property acquired by the MVT Note Trustee and intended to be held for the benefit of the MVT Noteholders or the MVT Note Trustee from time to time on the terms and conditions of the Trust Deed.

*The Company's obligations*

The Company is obliged, among other things, to:

- (a) pay the amounts due and payable in respect of the MVT Notes under and in accordance with the Trust Deed;

- (b) comply with its obligations under the Terms;
- (c) comply with all statutory and regulatory requirements applicable to it (including under the ASX Listing Rules and under Chapter 2L of the Corporations Act) to the extent they relate to obligations under the Trust Deed.

#### *MVT Note Trustee undertakings*

The MVT Note Trustee has undertaken that it will, among other things:

- (a) act continuously as trustee of the trust declared under the Trust Deed until the earlier of that trust being terminated, or the retirement or removal of the MVT Note Trustee in the manner provided for under the Trust Deed or the Corporations Act;
- (b) subject to being indemnified to its satisfaction, if the MVT Note Trustee becomes actually aware of the occurrence of an Event of Default, promptly convene a meeting of MVT Noteholders to seek directions from the MVT Noteholders in the form of a Special Resolution as to the action it should take in relation to the Event of Default;
- (c) comply with its duties under Chapter 2L of the Corporations Act;
- (d) act honestly and in good faith;
- (e) not interfere with the conduct of the business of the Company except to the extent necessary to comply with the MVT Note Trustee's obligations under the Corporations Act or the Transaction Documents; and
- (f) keep appropriate records and keep the assets held by the MVT Note Trustee on trust for the MVT Noteholders separate from all other assets of the MVT Note Trustee.

#### *MVT Note Trustee limitation of liability and indemnity*

The MVT Note Trustee is not liable to the Company, the MVT Noteholders or any other person in any capacity other than as trustee under the Trust Deed. The MVT Note Trustee, its officers, directors, employees, attorneys and affiliates are entitled to be indemnified by the Issuer and out of the property of the MVT Notes Trust in respect of, among others, all costs, losses, expenses, demands or claims suffered by the MVT Note Trustee under or in connection with the Trust Deed, Terms, or Additional Transaction Documents.

#### *Action by MVT Note Trustee*

The MVT Note Trustee is required at all times, to act in accordance with its obligations under the Terms, the Trust Deed, the Corporations Act and applicable material law.

Subject to the Trust Deed, the Terms and the Additional Transaction Documents, the MVT Note Trustee need not take any action to enforce the early redemption rights available on default under the Terms, or exercise any other power, right or discretion under the Trust Deed, unless all of the following conditions are met:

- (a) the MVT Note Trustee is requested to take action by a Special Resolution; and
- (b) the MVT Note Trustee is indemnified to its satisfaction against all costs, charges, liabilities and expenses which the MVT Note Trustee may incur in taking the action; and
- (c) the MVT Note Trustee is not restricted or prohibited by any order of any competent court or any applicable law.

If the MVT Note Trustee forms the view that such action directed by Special Resolution is or could be inconsistent with the Trust Deed, Note Terms, the Corporations Act or any other applicable law, it may take steps to seek a court direction to set aside or vary the Special Resolution. While the process to obtain a court direction is underway, the MVT Note Trustee is not obliged to act under the Special Resolution.

### *Direct action by MVT Noteholder*

No MVT Noteholder is entitled to proceed directly against the Company to enforce any right or remedy under or in respect of any the MVT Notes, unless the MVT Note Trustee, having become obliged to proceed, fails to do so within 20 Business Days and such failure is continuing. Any action that the MVT Noteholder takes must be in its own name and not in the name of the MVT Note Trustee.

### *Fees and expenses*

Under the Trust Deed, the Company will pay the MVT Note Trustee by way of a fee for its services such amounts as may be agreed between the Company and the MVT Note Trustee. The Company will also pay the MVT Note Trustee's costs and expenses arising out of, among other things, the MVT Note Trustee acting as trustee under the Trust Deed (including reasonable legal fees, costs and disbursements) as well as additional fees for any enforcement action that the MVT Note Trustee takes in relation to the Trust Deed following the occurrence of an Event of Default or any duties agreed by the Company to be outside the scope of the normal duties of the MVT Note Trustee.

### *Retirement and removal*

The MVT Note Trustee may retire by giving written notice to the Issuer, which will not be effective until 2 months after the date of the notice has passed and provided that the appointment of a new trustee is effective.

The Company may remove the MVT Note Trustee and appoint a new trustee in its place if:

- (a) any of the events referred to in section 283BD of the Corporations Act occur in relation to the MVT Note Trustee;
- (b) the MVT Note Trustee is liquidated;
- (c) the MVT Note Trustee is in material breach of any of its obligations under this Trust Deed, the Terms or any Additional Transaction Document and:
  - (i) the breach is not capable of remedy; or
  - (ii) the breach is capable of remedy and has not been remedied within 10 Business Days after receiving written notice of the default from the Issuer requiring that the default be remedied;
- (d) the MVT Note Trustee ceases to carry on business;
- (e) a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official is appointed to the MVT Note Trustee; or
- (f) any license, consent, authorisation, permit or similar thing the MVT Note Trustee is required to hold to carry out its obligations and duties under or in respect of the Trust Deed is revoked or not renewed.

If the Company fails to appoint a new trustee within the notice period (in the case of the MVT Note Trustee's retirement), or otherwise within 14 days of the Company's removal of the MVT Note Trustee becoming effective, the MVT Note Trustee may, so long as the Issuer has not made an appointment, appoint a new trustee without the further approval of the Issuer or MVT Noteholders.

### *Meetings*

The MVT Note Trustee or the Company may at any time convene a meeting of the MVT Noteholders and must do so if required by the Corporations Act or the Trust Deed. The Trust Deed contains a process to allow MVT Noteholders holding not less than 10%, in terms of the aggregate Face Value of the MVT Notes on issue at the time of the direction, to direct the MVT Note Trustee to convene a meeting of MVT Noteholders for certain purposes.

A meeting of MVT Noteholders has the power, by MVT Noteholder Resolution or by Special Resolution in circumstances required by the Trust Deed to:

- (a) give directions to the MVT Note Trustee (by Special Resolution) to require it to take action under the Terms where there has been an Event of Default (provided certain conditions are met);
- (b) sanction the release of the Company from all or part of its liability to pay the principal moneys and interest owing on any Notes;
- (c) in accordance with the Corporations Act, approve the release of the MVT Note Trustee from liability for anything done or omitted to be done by the MVT Note Trustee.

MVT Noteholder resolutions are decided on a show of hands unless a poll is demanded. On a poll, each MVT Noteholder is entitled to one vote for each \$1 of paid up Face Value of the MVT Notes they hold.

#### *Alteration*

Subject to all applicable laws, the Company and the MVT Note Trustee may jointly amend the Trust Deed:

- (a) under a MVT Noteholder Resolution or Special Resolution, as applicable; or
- (b) without the consent of MVT Noteholders, if the Company and the MVT Note Trustee are each of the opinion that such amendments are:
  - (i) of a formal or technical or minor nature;
  - (ii) made to cure any ambiguity or correct any manifest error;
  - (iii) necessary or expedient to enable the MVT Notes to be listed on any stock exchange or offered for subscription or for sale under applicable laws; or
  - (iv) necessary to comply with the provisions of any statute or requirements of any statutory authority or the requirements of any securities exchange on which the Issuer may propose to seek listing of the MVT Notes,
- (c) and, in the case of items (b)(iii) and (b)(iv) above, the Company has provided to the MVT Note Trustee or the MVT Note Trustee has obtained a legal opinion in form and substance satisfactory to the MVT Note Trustee (acting reasonably), addressed to the MVT Note Trustee or otherwise able to be relied on by the MVT Note Trustee from legal advisors of recognised standing in New South Wales opining that such amendment (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) is otherwise not materially prejudicial to the interests of MVT Noteholders as a whole.

#### *Issue of further MVT Notes*

The Company may issue further MVT Notes, without the consent of MVT Noteholders, having the same Terms (except in relation to the Issue Date, the first Interest Period, the first Interest Payment Date and the amount to be paid in respect of the first payment of Interest). Those notes shall be consolidated and form a single series and rank equally with the MVT Notes then outstanding.

### **7.5. Other documents relevant to the Offer**

Section 712 of the Corporations Act provides that instead of setting out information that is contained in a document that has been lodged with ASIC, a prospectus may simply refer to the document. The following documents lodged with ASIC may be relevant to the Offer:

- the Issuer's full consolidated financial report for the full year ended 30 June 2014, contained in the ASX announcement dated 26 September 2014. Information that may be relevant includes the Directors' Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows;

- the Issuer's restated full consolidated financial report for the full year ended 30 June 2015, contained in the ASX announcement dated 5 April 2016. Information that may be relevant includes the Director's Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and the Consolidated Statement of Cash Flows;
- the Issuer's restated half-year report for the half-year ending 31 December 2015 contained in the ASX announcement dated 11 April 2016. Information that may be relevant includes the Directors' Report, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows; and
- the Trust Deed.

The information in each document is incorporated by reference into this Prospectus. The Company will provide a copy of these documents free of charge to any person who requests a copy during the Offer Period.

## **7.6. US Persons**

MVT Notes have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. They may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies. Any offer, sale or resale of MVT Notes within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the US Securities Act if made prior to 40 days after the Closing Date or if purchased by a dealer in the Offer.

The Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. Neither this Prospectus nor any Application Forms or other materials relating to the Offer may be distributed in the United States.

Each Applicant in the Offer will be taken to have represented, warranted and agreed on behalf of itself and each person for whom it is applying for MVT Notes as follows:

- it is not located in the United States at the time of application and it is not, and is not acting for the account or benefit of, any US Persons;
- it has not distributed this Prospectus or any other written materials concerning the Offer to any person in the United States or to any US Persons; and
- it understands that the MVT Notes have not been and will not be registered under the US Securities Act and may not be offered or sold, directly or indirectly, in the United States or to, or for the account or benefit of, any US Person, unless an exemption from such registration applies.

## **7.7. MVT Note Trustee's privacy policy**

The MVT Note Trustee may collect your personal information for the primary purpose of providing trustee services to the Issuer and for ancillary purposes detailed in its privacy policy. The MVT Note Trustee may disclose your personal information, such as your name and contact details, along with your account information to its related bodies corporate, the Issuer, professional advisors, the land titles office and/or as otherwise instructed by the Issuer. The MVT Note Trustee is also permitted to collect and disclose your personal information when required or authorised to do so by law. The MVT Note Trustee is not likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the MVT Note Trustee's privacy policy. The privacy policy contains information about how you may access or correct your personal information held by the MVT Note Trustee and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the privacy policy at [www.ioof.com.au/privacy](http://www.ioof.com.au/privacy).

## **7.8. Consents and responsibility statements**

Australian Executor Trustees Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as MVT Note Trustee for the MVT Notes Trust in the form and context in which it is named.

Pitcher Partners has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as auditor of the Company in the form and context in which it is named and references to the audited accounts of the Company in the form and context in which they appear.

Watson Mangioni Lawyers Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as Solicitor to the Offer in the form and context in which it is named.

Sandon Capital Pty Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus in the form and context in which it is named.

Taylor Collison Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus in the form and context in which it is named.

Link Market Services Limited has given, and before lodgement of this Prospectus has not withdrawn, its consent to be named in this Prospectus as registrar of the Issuer in the form and context in which it is named.

None of Australian Executor Trustees Limited, Pitcher Partners, Sandon Capital Pty Limited, Taylor Collison Limited, Watson Mangioni Lawyers Pty Limited and Link Market Services Limited:

- (a) has authorised or caused the issue of the Prospectus;
- (b) has made, or purported to have made, any statement in this Prospectus, except this Section 7.8; and
- (c) assumes responsibility for any part of this Prospectus except for statements in this Section 7.8.

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror), the directors of the Company, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the content of the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of this, each of the above named entities, only to the maximum extent permitted by the law, disclaims any responsibility or liability for any part of this Prospectus other than a statement included in this Section 7.8.

## **7.9. Costs of the Offer**

The Lead Manager is entitled to a management fee of \$50,000 (excluding GST). The fee is payable by the Company.

The Company will pay a broker firm fee equal to 1.5% (excluding GST) of the Application Monies provided with valid Application Forms to the Lead Manager to the extent MVT Notes are allotted under the Broker Firm Offer.

No broker firm fee will be payable on General or Priority Applications.

The Company will pay an arranging fee of 0.85% (excluding GST) of the proceeds of the Offer to Sandon Capital Pty Limited (ACN 130 853 691) an entity associated with Gabriel Radzynski, a Director. The agreement for this fee is on arm's length terms and has been approved by the Board.

The costs of the Offer, including tax and GST, include the broker firm fee and the stamping fee, legal, accounting, marketing and other costs associated with the preparation of the Prospectus and the issue of the Notes.

These costs are estimated to be:

- \$423,130, assuming the Minimum Subscription;

- \$490,202, assuming the Maximum Subscription; and
- \$697,990, assuming the Offer is fully subscribed and the Company accepts \$10,000,000 in oversubscriptions.

#### **7.10. Interests of Advisors**

Other than as disclosed in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; and
- no promoter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds at the date of this Prospectus, or has held in the two years before that date, an interest in:

- the formation or promotion of the Issuer;
- the Offer; or
- any property acquired or proposed to be acquired by the Issuer in connection with the Offer.

Watson Mangioni Lawyers Pty Limited has acted as Australian legal adviser to the Issuer in relation to the Offer. The Company has paid, or agreed to pay, approximately \$75,000 (inclusive of GST and excluding disbursements) for these services up until the date of this Prospectus. Further amounts may be paid to Watson Mangioni Lawyers Pty Limited in accordance with its normal time-based charges.

Australian Executor Trustees Limited has acted as trustee for the MVT Notes Trust in relation to the Offer. The Company has paid, or agreed to pay, an initial establishment fee and an annual fee for these services. Further amounts may be paid to Australian Executor Trustees Limited in accordance with the Trust Deed.

Link Market Services Limited has acted as the registrar for the MVT Notes and will be paid an establishment fee for these services. Further amounts may be paid to Link Market Services Limited in accordance with their terms of engagement.

Other than as disclosed in this Prospectus, no person has been paid or agreed to be paid any amount, nor has any benefit been given or agreed to be given to any such persons, for services provided by them in connection with the Offer.

#### **7.11. Interests of Directors of the Company**

Other than as set out below or elsewhere in this Prospectus, no Director of the Issuer holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, MVT Notes or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to the Directors for services in connection with the formation or promotion of the Issuer or the Offer.

The Directors intend to apply for MVT Notes but at the date of this Prospectus, no decision about the number of MVT Notes to be applied for by each Director has been made.

## 8. Applying under the Offer

This is a summary only. This Prospectus should be read in its entirety before making any decision to apply for MVT Notes.

The Issuer is offering for subscription up to 150,000 MVT Notes with the ability to accept oversubscriptions for up to a further 100,000 MVT Notes. MVT Notes are offered at \$100 per MVT Note, to raise a minimum of \$10 million up to \$15 million, with the ability to accept oversubscriptions of up to a further \$10 million. The Offer is not underwritten.

The Offer is made up of the General Offer, the Priority Allocations (detailed in 8.2) and the Broker Firm Offer (detailed in 8.5).

- The Broker Firm Offer is expected to close on or before 5.00pm Sydney time on 10 June 2016.
- The General Offer and the Priority Allocation are expected to close on or before 5:00pm Sydney time on the Closing Date.

Early lodgement of Applications is recommended as the Directors may close the Offer at any time after the expiry of the exposure period, without prior notice. The Directors may extend the Offer in accordance with the Corporations Act.

### 8.1. Who is eligible

The Priority Allocation is available to existing Shareholders as at 23 May 2016 who have an eligible residential address in Australia or New Zealand.

The General Offer (which does not include the Priority Allocation or the Broker Firm Offer) is open to Applicants who have an eligible residential address in Australia or New Zealand.

The Broker Firm Offer is open to Applicants resident in Australia who have received a firm allocation from their Broker.

The Company reserves the right in its absolute discretion to reject any Application or to allocate a lesser number of MVT Notes than that for which it has received applications, whether under the Priority Allocation, the General Offer or the Broker Firm Offer.

The Directors intend to participate in the Offer, the quantum of participation by each individual Director has not been finalised at the date of this Prospectus.

### 8.2. Priority Allocations

Up to 50,000 MVT Notes have been set aside for the Priority Allocation to existing Shareholders as at 23 May 2016 with a registered address in Australia or New Zealand.

If the Company receives Applications from eligible Shareholders for more than 50,000 MVT Notes, it intends to treat those applications as being made under the General Offer.

MVT Notes offered under the Priority Allocation that are not taken up will be allocated by the Company under the General Offer or Broker Firm Offer.

### 8.3. Minimum Subscription

Each MVT Note is \$100. Applicants must apply for a minimum of 20 MVT Notes, which is a minimum investment of \$2,000. The Offer will not proceed unless MVT receives Applications for, and issues, at least 100,000 MVT Notes raising gross proceeds of \$10 million.

#### **8.4. Completing and returning your Applications under the Priority Allocation and the General Offer**

In order to apply for MVT Notes under the Priority Allocation or the General Offer, please complete the relevant Application Form that forms part of, is attached to, or accompanies this Prospectus, or a printed copy of the relevant Application Form attached to the electronic version of this Prospectus. Each Application Form must be completed in accordance with the instructions it contains.

Once completed, please lodge your Application Form and Application Monies so that they are received at the following address by 5.00pm (AEDT) on 16 June 2016:

**By mail to:**

MVT Notes Offer  
C/- Link Market Services  
Locked Bag A14  
Sydney South NSW 1235

**By hand delivery to:**

MVT Notes Offer  
C/- Link Market Services  
1A Homebush Bay Drive  
Rhodes NSW 2138

Alternatively, you can apply online at <https://events.miracle.com/MVTNotes-Offer> and pay your Application Monies by BPAY. BPAY is not available from accounts that are not with an Australia financial institution.

#### **8.5. Applications under Broker Firm Offer**

If you are applying for MVT Notes under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your firm allocation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse side of the Broker Firm Offer Application Form. By making an Application, you declare that you were given access to this Prospectus, together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus.

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Amount with their Broker in accordance with the relevant Broker's directions. Applicants under the Broker Firm Offer must not send their Application Forms to the Company or the MVT Note Registrar.

The allocation of MVT Notes to Brokers will be determined by the Lead Manager, in consultation with the Company.

MVT Notes that have been allocated to Brokers for allocation to their clients will be issued to the Applicants who have received a valid allocation of MVT Notes from those Brokers.

It will be a matter for the Brokers how they allocate MVT Notes among their clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that clients who have received an allocation from them, receive the relevant MVT Notes.

The Company, the MVT Note Registrar and the Lead Manager take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form and Application Amount (including, without limitation, failure to submit Application Forms in accordance with the deadlines set by your Broker).

Please contact your Broker if you have any questions.

## 8.6. Payment of Application Monies

The Application Monies may be provided by BPAY (see below), cheque or bank draft. Cheques or bank drafts must be:

- in Australian currency;
- drawn on an Australian branch of a financial institution;
- crossed “Not Negotiable”; and
- made payable:
  - for Applicants in the General Offer: to “Mercantile Investment Company – MVT Notes Offer”; or
  - for Applicants in the Broker Firm Offer; in accordance with the directions of the Broker from whom you received a firm allocation.

Applicants should ensure that sufficient funds are held in your account to cover your cheque or bank draft. If the amount of your cheque or bank draft for the Application Amount (or the amount for which your cheque clears in time for the allocation) is insufficient to pay for the amount you have applied for in your Application Form, you may be taken to have applied for such lower amount as your cleared Application Amount will pay for (and to have specified that amount in your Application Form) or your Application may be rejected and any cleared Application Monies in excess of \$10 returned via cheque or direct deposit (where those direct deposit details have been previously been supplied to the Registry).

### *Paying your Application Monies by BPAY – accounts with Australian financial institutions only*

Investors may apply for MVT Notes online and pay their Application Monies by BPAY. Investors wishing to pay by BPAY should complete the online Application Form which is available on the Company’s website and follow the instructions on the online Application Form (which includes the Biller Code and your unique Customer Reference Number (**CRN**)).

You will only be able to make a payment via BPAY if you are the holder of an account with an Australian financial institution that supports BPAY transactions.

When completing your BPAY payment, please use the specific Biller Code and your unique CRN provided on the online Application Form. If you do not use the correct CRN your Application will not be recognised as valid.

It is your responsibility to ensure that payments are received by 5.00pm (AEDT) on 10 June 2016 under the Broker Firm Offer and by 5.00pm (AEDT) on 16 June 2016 under the General Offer. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPAY, and policies with respect to processing BPAY transactions may vary between banks, credit unions or building societies. The Company accepts no responsibility for any failure to receive Application Monies or payments by BPAY before the Closing Date arising as a result of, among other things, processing of payments by financial institutions. If you apply online, you may only pay by BPAY.

## 8.7. Allotment and trading on ASX

The Issuer will not allot MVT Notes until the ASX has granted permission for quotation of the MVT Notes unconditionally or on terms acceptable to the Issuer.

It is expected that the issue of MVT Notes under the Offer will take place by 22 June 2016. Application Monies will be held in a separate account until allotment. This account will be established and kept by the Issuer on behalf of the Applicants. The Issuer may retain any interest earned on the Application Monies held on trust pending the issue of MVT Notes to successful Applicants.

The Application constitutes an offer by the Applicant to subscribe for MVT Notes on the terms and subject to the conditions set out in this Prospectus.

The Board reserves the right to accept, reject or scale back any Application, in its absolute discretion.

Where the number of MVT Notes allotted is less than the number applied for or where no allotment is made, the surplus Application Monies in excess of \$10 will be returned to Applicants (without interest) by cheque or direct deposit (where those direct deposit details have been previously been supplied to the Registry) within seven days of the Closing Date.

It is the responsibility of each Applicant to confirm their holding before trading in MVT Notes. Applicants who sell MVT Notes before they receive an initial statement of holding do so at their own risk. The Issuer and MVT Note Registrar disclaim all liability, whether in negligence or otherwise, to persons who sell MVT Notes before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by a broker or otherwise.

#### **8.8. No cooling off period**

There is no cooling off period in relation to the Offer.

#### **8.9. No brokerage or stamp duty**

Applicants do not have to pay brokerage or stamp duty on Applications for MVT Notes. However, MVT Noteholders may have to pay brokerage (and applicable GST) on any subsequent purchases or sales of MVT Notes on the ASX.

#### **8.10. Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act (**FATCA**) is a United States (US) tax law aimed at financial institutions and other financial intermediaries to prevent tax evasion by US citizens and US tax residents through use of non-US investments or accounts. The FATCA provisions were included in the HIRE Act which was signed into US law on 18 March 2010.

Australia has signed an intergovernmental agreement (**IGA**) with the US to implement FATCA in Australia. The FATCA provisions were introduced as Division 396 in Schedule 1 of the Taxation Administration Act 1953 (Cth), to be administered by the Australian Tax Office (**ATO**). Under the IGA, Reporting Australian Financial Institutions will have identification and reporting obligations under FATCA.

The Company is a Reporting Australian Financial Institution under the IGA. The Company intends to fully comply with the reporting obligations as determined by the FATCA regulation, the IGA and any associated guidance from the ATO. These obligations include (but are not limited to) the Company identifying and documenting the status of the MVT Noteholder as either a US person, US controlled entity or a non-complying FATCA financial institution. The Company is then obligated by law to report certain information on applicable MVT Noteholders to the ATO which will in turn report this information to the US Internal Revenue Service.

In order to comply with these FATCA obligations, the Company will be obligated to request certain information from its MVT Noteholders. Certain information collected will be reported to the ATO, which will in turn report the information to the US Internal Revenue Service.

Neither the Company nor the MVT Note Trustee are liable for any loss an MVT Noteholder may suffer as a result of compliance with FATCA.

This information is general in nature only. Please consult your tax advisor should you wish to understand the implications of FATCA on your particular circumstances.

#### **8.11. Overseas Investors**

The Offer is an offer to Australian and New Zealand investors. The Offer does not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer.

**8.12. Licensed Dealers**

Offers under this Prospectus will be made under an arrangement between the Company and AFSL Holders under Section 911A(2)(b) of the Corporations Act. The Company will only authorise AFSL Holders to make offers to people to arrange for the issue of MVT Notes by the Company under the Prospectus and the Company will only issue MVT Notes in accordance with Applications made under such those offers if they are accepted. The Company has entered into such an agreement with the Lead Manager, who holds an appropriate Australian financial services licence (**AFSL**).

## 9. Definitions and Interpretation

### 9.1. Defined Terms

In this Prospectus:

**Additional Transaction Document** means any document or agreement which the Issuer and the MVT Note Trustee (acting on the direction of MVT Noteholders by Special Resolution), at any time agree to be a “Transaction Document” for the purposes of the Trust Deed.

**AFSL Holder** means a holder of an Australian financial services licence under section 911A(2)(b) of the Corporations Act.

**Applicant** means an applicant for MVT Notes under this Prospectus.

**Application** means an application for MVT Notes under this Prospectus.

**Application Form** means the application form attached to this Prospectus and the online Application Form available at <https://events.miracle.com/MVTNotes-Offer>.

**Application Monies** means the Offer Price multiplied by the number of MVT Notes applied for.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** or **Australian Securities Exchange** means the ASX Limited or the securities exchange operated by ASX Limited.

**ASX Listing Rules** means the listing rules of ASX, with any modificational waivers which ASX may grant to the Issuer from time to time.

**Broker** means any ASX participating organisation selected by the Lead Manager in consultation with the Company to act as a Broker to the Offer.

**Broker Firm Offer** means the offer of MVT Notes under this Prospectus to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker.

**Broker Firm Application Form** means the Application Form to be used by Applicants under the Broker Firm Offer.

**Business Days** has the meaning given to that term in the ASX Listing Rules.

**Change of Control Event** has the meaning given in Clause 1.1 of the Terms.

**Closing Date** means the date by which valid Application Forms must be received being 10 June 2016 under the Broker Firm Offer and being 16 June 2016 under the General Offer and Priority Allocations, or such other dates as the Issuer may determine in its discretion.

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

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

**Directors** or **Board** means the directors of the Company.

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

- (a) **Insolvency Event:** an Insolvency Event occurs with respect to the Issuer;
- (b) **failure to pay amount when due:** the Issuer 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 amount outstanding on each MVT Note, initially being \$100 per MVT Note and as reduced by any repayments from time to time.

**GST** means the goods and services tax, value added tax, or similar tax, if any, on goods and services and other things payable in accordance with *A New Tax System (Goods and Services Tax) Act 1999* or another relevant and applicable legislation or law whether in Australia, the US or another jurisdiction.

**Group** means the Company and its controlled entities.

**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 on each MVT Note.

**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** means each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date. However:

- (a) the first Interest Period commences on (and includes) the Issue Date;
- (b) in the Interest Period ending on 30 June in any year ends on (and includes) 30 June;
- (c) any Interest Period commencing on 30 June in any year commences on (but excludes) 30 June; and
- (d) the final Interest Period ends (but excludes) the Redemption Date.

**Issue Date** the date MVT Notes are issued which is expected to be 22 June 2016.

**Issuer** means the Company: Mercantile Investment Company Limited (ACN 121 415 576).

**Lead Manager** means Taylor Collison Limited (ACN 008 172 450) (AFSL 247 083).

**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.

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

**Minimum Subscription** means an Application for a minimum of 20 MVT Notes, which is a minimum investment of \$2,000. The Offer will not proceed unless MVT receives Applications for, and issues, at least 100,000 MVT Notes raising gross proceeds of \$10 million.

**MVT Group** means the Company and its controlled entities.

**MVT Noteholder** means a registered holder of MVT Notes.

**MVT Note** means a note issued by the Issuer, under this Prospectus and the trust deed (dated on or about 19 May 2016 and entitled "Unsecured Notes Trust Deed" entered into between the Issuer and Australian Executor Trustees Limited (ACN 007 869 794) at an initial offer price of \$100) and maturing on 10 July 2021, as Listed on the ASX with ASX code MVTHA.

**MVT Noteholder** means a registered holder of MVT Notes.

**MVT Noteholder Resolution** has the meaning given to the term "Ordinary Resolution" in the Trust Deed.

**MVT Note Registrar** means Link Market Services Limited (ACN 083 214 537).

**MVT Note Trustee** means Australian Executor Trustees Limited (ACN 007 869 794) or any other trustee that the Issuer appoints.

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

**New Zealand Takeover Offer** means the Company's offer to acquire all issued capital in Kirkcaldie & Stains Limited as set out in its Taker Notice dated 26 February 2016.

**NTA** means net tangible asset backing per Share (after tax).

**Offer** means the offer of up to 150,000 MVT Notes, with the ability to accept oversubscriptions of up to a further 100,000 MVT Notes at an offer price of \$100 per MVT Note to raise up to \$15 million with the ability to accept oversubscriptions for up to a further \$10 million.

**Offer Period** means the period from the Opening Date to the Closing Date.

**Offer Price** means \$100 per MVT Note.

**Opening Date** means the date the Offer opens, expected to be 6 June 2016.

**Priority Allocation** means the priority allocation to MVT Shareholders of up to 50,000 MVT Notes under the Offer.

**Priority Allocation Application Form** means the Application Form to be used by Applicants who are MVT Shareholders to apply for MVT Notes under the Priority Allocation.

**Prospectus** means this replacement prospectus as modified or varied by any supplementary document issued by the Issuer and lodged with the ASIC from time to time.

**Record Date** means, for payment of Interest:

- (a) subject to paragraph (b) below, the date that is eight calendar days prior to the Interest Payment Date;
- (b) such other date as determined by the Company and communicated to ASX or such other date as may be required by ASX.

**Redemption** means the process through which the Company repays the Face Value and pays any other amounts due and payable under the Terms. Once the Company has repaid and/or paid these amounts, the Company's obligations under the MVT Notes are terminated and the MVT Notes are cancelled. **Redeem** and **Redeemed** have the corresponding meaning.

**Redemption Date** means the date on which the Redemption occurs.

**Related Body Corporate** has the meaning given to that term under Section 50 of the Corporations Act.

**Shareholder** means a registered holder of Shares.

**Shares** means fully paid ordinary shares in the Company.

**Short Term Debt Facility** means the short term funding arrangements between the Company and the Chairman, as set out in Section 4.3.

**Siblow** means Siblow Pty Limited (ACN 003 602 417), a company controlled by the Chairman, Sir Ron Brierley.

**Special Resolution** has the meaning given to that term in the Trust Deed.

**Tax Event** means the circumstances where the Issuer is or would be required to pay an Additional Amount (as defined in the Terms) as a result of any change in, or amendment to, the laws of a Relevant Tax Jurisdiction (as defined in the Terms) 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.

**Terms** means the terms of issue of the MVT Notes that is attached as a schedule to the Trust Deed as set out in Appendix A.

**Trust Deed** means the trust deed entered into between the Issuer and the MVT Note Trustee dated on or about 19 May 2016.

**UK Portfolio** means a portfolio of securities listed on the London Stock Exchange, held directly and indirectly, which the Company acquired since December 2015.

**U.S. Person** has the meaning given to it in Rule 902(k) under Regulation S of the United States Securities Act of 1933, as amended.

**Winding Up** and **Wind Up** have the meaning given in the Terms.

## 9.2. Interpretation

In this Prospectus the following rules of interpretation apply unless the context otherwise requires:

- (a) Words and phrases not specifically defined in this Prospectus have the same meaning that is given to them in the Corporations Act and a reference to a statutory provision is to the Corporations Act unless otherwise specified;
- (b) The singular includes the plural and vice versa;

- (c) A reference to an individual or person includes a corporation, partnership, joint venture, association, authority, company, state or government and vice versa;
- (d) A reference to any gender includes both genders;
- (e) A reference to clause, section, annexure or paragraph is to a clause, section, annexure or paragraph of or to this Prospectus, unless the context otherwise requires;
- (f) A reference to “dollars” or “\$” is to Australian currency;
- (g) In this document, headings are for ease of reference only and do not affect its interpretation; and
- (h) Except where specifically defined in the Prospectus, terms defined in the Corporations Act have the same meaning in this Prospectus.

### **9.3. Governing Law**

This Prospectus is governed by the laws of New South Wales.

### **9.4. Approval**

This Prospectus has been approved by unanimous resolution of the Directors of the Issuer.

Dated: 3 June 2016

**Ron Brierley**  
**Chairman**  
**Mercantile Investment Company Limited**

# Annexure A

## Terms of issue of MVT Notes

### 1.1 Interpretation

#### 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 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.

**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.

**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.

**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.

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

**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 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.

**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.

**Trust Deed** means the trust deed between MVT and the MVT Note Trustee dated on or about 19 May 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 Owing 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 CHESS**

The rights of a MVT Noteholder holding an interest in MVT Notes that are CHESS 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 5.2, 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**

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**

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

### **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 Owing.
- (c) Nothing in this Clause 7.1 prevents the MVT Note Trustee bringing proceedings to recover Moneys Owing 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, these Terms, a MVT Note, or other Transaction Documents 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.

## Corporate Directory

<b>Directors of Mercantile Investment Company Limited</b>	Sir Ron Brierley (Chairman) Gabriel Radzyninski James Chirnside Ron Langley Daniel Weiss Dr Gary Weiss (alternate director for Daniel Weiss)
<b>Company Secretary</b>	Mark Licciardo Matthew Rowe
<b>Registered Office</b>	Level 11 139 Macquarie Street Sydney NSW 2000
<b>MVT Note Trustee of MVT Note Trust</b>	Australian Executor Trustees Limited Level 22 207 Kent Street Sydney NSW 2000  Fax: 02 9028 5942 Attention: Corporate Trust
<b>Solicitors to the Offer</b>	Watson Mangioni Lawyers Pty Limited Level 23 85 Castlereagh Street Sydney NSW 2000 Ph: (02) 9262 6666 Fax: (02) 9262 2626
<b>MVT Note Registrar</b>	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Ph: 02 8280 7100
<b>Stock Exchange Listings</b>	Australian Securities Exchange Security Listing Code: MVT Intended Listing Code MVT Note: MVTHA  NZX Main Board Security Listing Code: MVT