

Mercantile Investment Company Limited

(ACN 121 415 576)

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Shareholders of Mercantile Investment Company Limited (**Mercantile**) will be held as follows:

Date:	26 October 2017
Time:	11.30 am (AEDT)
Venue:	Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney

Business

Financial statements and reports

To receive and consider the Company's annual financial report, including the directors' report and audit report for the year ended 30 June 2017.

Resolution 1: Adoption of Remuneration report

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That the Company adopt the remuneration report for the year ended 30 June 2017 in accordance with Section 250R(2) of the Corporations Act."

Notes:

The vote on this resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution 1 by or on behalf of a member of the Company's Key Management Personnel (KMP) whose remuneration details are disclosed in the Remuneration Report, or by or on behalf of a closely related party of a member of the KMP, in any capacity unless the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The Chairman will vote all undirected proxies in favour of this resolution.

Resolution 2: Re-election of Sir Ronald Brierley as a Director

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Sir Ronald Brierley, who retires by rotation in accordance with the Company's constitution and, being eligible for re-election, be re-elected as a Director."

Note: Without limitation, Rules 19.1, 19.2 and 19.3 of the Company's constitution are relevant to this resolution.

Sydney NSW 2000

Address (postal deliveries): C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW, 1235 Australia

Fax number for lodgement: +61 2 9287 0309

The proxy form has been enclosed. Please read all instructions carefully before completing the proxy form.

Custodian Voting

Please visit www.linkmarketservices.com.au to submit your voting intentions.

Entitlement to vote

In accordance with Section 1074E(2)(g)(i) of the Corporations Act and Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting all shares will be taken to be held by the persons who held them as registered Shareholders at 7.00 pm (Sydney time) on 24 October 2017. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Voting Intentions

Subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

In respect of undirected proxies, subject to any voting restrictions and exclusions, the Chairman intends to vote in favour of all resolutions on the agenda.

By order of the Board



Mark Licciardo
Company Secretary
Date 22 September 2017

Mercantile Investment Company Limited

(ACN 121 415 576)

Explanatory Memorandum

This Explanatory Memorandum sets out further information regarding the proposed resolutions to be considered by Shareholders of Mercantile Investment Company Limited (**Mercantile**) at the 2017 Annual General Meeting to be held commencing at 11.30 am (AEDT) on 26 October 2017 at the Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the resolutions.

Financial statements and reports

Under Section 317 of the Corporations Act, Mercantile is required to lay its annual financial report, directors' report and remuneration report before its Shareholders at its Annual General Meeting. The annual financial report is submitted for Shareholders' consideration and discussion at the Annual General Meeting as required. Meeting attendees are invited to direct questions to the Chairman in respect of any aspect of the report they wish to discuss.

Representatives of Mercantile's auditor, Pitcher Partners, will be present for discussion purposes on matters of relevance to the audit.

Resolution 1: Adoption of Remuneration report

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of resolution 1. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 1.

Resolution 1 provides Shareholders the opportunity to vote on Mercantile's remuneration report. The remuneration report is contained in the directors' report. Under Section 250R(2) of the Corporations Act, Mercantile must put the adoption of its remuneration report to a vote at its Annual General Meeting.

This vote is advisory only and does not bind the Directors or Mercantile.

The Board will consider the outcome of the vote and comments made by Shareholders on the remuneration report at this meeting when reviewing Mercantile's remuneration policies. If 25% or more of the votes that are cast are voted against the adoption of the remuneration report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of Mercantile's directors other than the managing director must be offered up for election.

Key Management Personnel (including Directors) and their closely related parties must not cast a vote on the remuneration report, unless as holders of directed proxies for Shareholders eligible to vote on Resolution 1.

Mercantile encourages all Shareholders to cast their votes on this resolution. The Chairman will vote all undirected proxies in favour of this resolution. If you wish to vote "against" or "abstain" you should mark the relevant box in the attached proxy form.

Resolution 2: Re-election of Sir Ronald Brierley as a Director

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of resolution 2. The Chairman of the meeting for this item of business intends to vote undirected proxies in **FAVOUR** of resolution 2.

Under Rule 19.1 of Mercantile's constitution and Listing Rule 14.4 a director must not hold office (without re-election) past the third annual general meeting following the directors appointment. Sir Ronald Brierley was last elected in 2014.

Under Rule 19.2 of Mercantile's constitution one third of Mercantile's Directors, or the whole number nearest to one third, must retire unless re-elected.

Resolution 2 provides for the re-election of Sir Ronald Brierley as Director of Mercantile in accordance with Rule 19.1 & 19.3 of Mercantile's constitution.

The Directors (excluding Sir Ronald Brierley) unanimously recommend that Shareholders vote in favour of Resolution 2.

Resolution 3: Approval of 10% Placement Facility

Board recommendation and undirected proxies. The Board recommends that Shareholders vote in **FAVOUR** of resolution 3. The Chairman of the meeting intends to vote undirected proxies in **FAVOUR** of resolution 3.

Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval by special resolution at its Annual General Meeting to issue equity securities equivalent to an additional 10% of the number of ordinary securities on issue over a period of 12 months after the Annual General Meeting (10% Placement Capacity). This is in addition to the existing 15% placement capacity permitted by Listing Rule 7.1.

If Shareholders approve Resolution 3, the number of equity securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out below).

An eligible entity is one that, as at the date of the relevant Annual General Meeting:

- is not included in the S&P/ASX 300 Index; and
- has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of less than \$300,000,000.

Any equity securities issued must be in the same class as an existing class of quoted equity securities. The Company currently has two classes of quoted securities on issue, being Shares (ASX Code: MVT) and Notes (ASX Code: MVTHA).

The number of equity securities that the Company may issue under the approval sought by Resolution 3 will be calculated in accordance with the following formula as set out in Listing Rule 7.1A:

(A x D) – E

Where:

A = the number of fully paid Shares on issue 12 months before the date of issue or agreement to issue:

plus the number of Shares issued in the 12 months under an exception in Listing Rule 7.2;

plus the number of partly paid Shares that became fully paid in the 12 months;

plus the number of fully paid Shares issued in the 12 months under Listing Rules 7.1 and 7.4; and

less the number of fully paid Shares cancelled in the 12 months.

D = 10%.

E = the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of the Shareholders under Listing Rule 7.1 or 7.4.

Technical information required by Listing Rule 7.1A

While the Company does not have any immediate plans to issue equity securities, purposes for which equity securities may be issued pursuant to Resolution 3 may include the raising of capital to facilitate further investment opportunities.

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 3:

- (a) **Minimum Price:** Under the Listing Rules, the minimum price at which the equity securities may be issued is 75% of the volume weighted average market price of equity securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:
- i. the date on which the price at which the equity securities are to be issued is agreed; or
 - ii. if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.
- (b) **Risk of voting dilution:** Shareholders should be aware there is a risk of economic and voting dilution that may result from an issue of equity securities under the 10% Placement Capacity, including the risk that:
- i. the market price for equity securities in that class may be significantly lower on the issue date than on the date of the Meeting where approval is being sought; and
 - ii. the equity securities may be issued at a price that is at a discount to the market price for those equity securities on the date of issue.

Any issue of equity securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any equity securities under the issue, unless the only equity securities issued under the 10% Placement Capacity are options and these options are not exercised.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of equity securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below, assuming that any options issued under the 10% Placement Capacity are exercised.

The table below shows the potential dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the current market price of the Shares and the current number of Shares on issue as at the date of this notice of Meeting. The table also assumes that no options on issue are exercised into Shares before the date of issue of the equity securities.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$ 0.080 50% decrease in Issue Price	\$ 0.160 Issue Price	\$ 0.320 100% increase in Issue Price
Current Variable A 280,000,000	10% Voting dilution	28,000,000	28,000,000	28,000,000
	Funds raised	\$ 2,240,000	\$ 4,480,000	\$ 8,960,000
50% increase in current Variable A 420,000,000	10% Voting dilution	42,000,000	42,000,000	42,000,000
	Funds raised	\$ 3,360,000	\$ 6,720,000	\$ 13,440,000
100% increase in current Variable A 560,000,000	10% Voting dilution	56,000,000	56,000,000	56,000,000
	Funds raised	\$ 4,480,000	\$ 8,960,000	\$ 17,920,000

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of shares available under Listing Rule 7.1A;
- (ii) No Shares are issued on the conversion of options before the date of issue of the Shares;
- (iii) The table shows only the effect of Shares issues under Listing Rule 7.1A and does not factor in the Company's ability to issue up to 15% of its issued capital under Listing Rule 7.1; and
- (iv) The issue price is \$0.16, being the closing price of the Shares on ASX on 13 September 2017.

The table shows:

- two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of Shares the Company has on issue. The number of Shares on issue may increase as a result of issues of Shares that do not require approval (for example, a pro rata entitlements issue) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- two examples of where the issue price of Shares has decreased by 50% and increased by 100% as against the current market price.

(c) **Date of Issue:** If Shareholder approval is granted for Resolution 3, then that approval will expire on the earlier of:

- 25 October 2018, being 12 months from the date of the Meeting; or
- the date Shareholder approval is granted to a transaction under Listing Rule 11.1.2 (proposed change to nature and scale of activities) or Listing Rule 11.2 (change involving main undertaking).

The approval under Listing Rule 7.1A will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 or 11.2.

(d) **Purpose of Issue under 10% Placement Capacity:** The Company may issue equity securities under the 10% Placement Capacity for the following purposes:

- as cash consideration in which case the Company intends to use funds raised for investment purposes in line with the Company's current investment policy; or
- as non-cash consideration for investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

- (e) **Allocation under the 10% Placement Capacity:** The allottees of the equity securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of equity securities could consist of current security holders or new investors (or both), none of whom will be related parties of the Company.
- The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:
 - the purpose of the issue;
 - alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
 - the effect of the issue of the equity securities on the control of the Company;
 - the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
 - prevailing market conditions; and
 - advice from corporate, financial and broking advisers (if applicable).
- (f) **Previous Approval under Listing Rule 7.1A:** The Company obtained Shareholder approval under Listing Rule 7.1A at the 2016 Annual General Meeting held on 30 November 2016.

Information under Listing Rule 7.3A.6(a): The table below shows the total number of equity securities issued in the past 12 months preceding the date of the Annual General Meeting and the percentages those issues represent of the total number of equity securities on issue at the commencement of the 12 month period.

Equity securities issued in the prior 12 month period	10,000,000 unlisted options – issued under listing rule 10.11 following approval by Shareholders at the 2016 AGM (Exemption 14)
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	3.39%

Information under Listing Rule 7.3A.6(b): Schedule One sets out specific details for each issue of equity securities that has taken place in the 12 month period preceding the date of this AGM.

Questions and Comments by Shareholders at the Meeting

In accordance with the Corporations Act, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions or make comments on the management of the Company at the Annual General Meeting.

Similarly, a reasonable opportunity will be given to Shareholders - as a whole - to ask questions to the Company's external Auditor, Pitcher Partners, relevant to:

- the conduct of the audit;
- the preparation and contents of the audit;
- the accounting policies adopted by the Company in relation to the preparation of its financial statements; and
- the independence of the Auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to Pitcher Partners if the question is relevant to the content of Pitcher Partners' audit report or the conduct of its audit of the Company's financial report for the year ended 30 June 2017.

Relevant written questions to Pitcher Partners must be no later than 7:00pm (Sydney time) on 19 October 2017. A list of those questions will be made available to Shareholders attending the meeting. Pitcher Partners will either answer questions at the meeting or table written answers to them at the meeting. If written answers are tabled at the meeting, they will be made available to Shareholders as soon as practicable after the meeting.

Please send written questions for Pitcher Partners to:

By facsimile - +61 3 9602 4709;

Post to – Mercantile Investment Company Limited - Level 5, 139 Macquarie Street, Sydney NSW 2000

by no later than 7:00pm (AEDT) on 19 October 2017.

Glossary

In this Explanatory Memorandum, and the Notice of Meeting:

Board means the board of directors of the Company.

Company means Mercantile Investment Company Limited.

Constitution means the constitution of the Company.

Director means a director of the Company.

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

Listing Rules means the listing rules of the ASX Limited.

Meeting means the Annual General Meeting of the Company the subject of this Notice of Meeting scheduled to occur on 26 October 2017.

Notes means the 8% per annum unsecured note issued by the Company and listed on the ASX.

Shareholder means a holder of a Share.

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

Schedule 1

Information under Listing Rule 7.3A.6(b): The table below sets out specific details for each issue of equity securities that has taken place in the 12 month period preceding the date of this AGM.

Issue Date	Number Issued	Class Type	Names of person who received securities or basis on which those person were determined	Price per share	Discount to market (closing market price per share on date of issue)	Cash received	Non-cash consideration paid and current value
2 December 2016	10,000,000	Unlisted Options	Mr Gabriel Radzyninski	Nil	N/A	N/A	N/A

Mercantile Investment Company Limited

ABN 15 121 415 576

LODGE YOUR VOTE

 **ONLINE**
www.linkmarketservices.co.nz

 **BY MAIL**
Mercantile Investment Company Limited
C/- Link Market Services Limited
PO Box 91976
Auckland 1142, New Zealand

 **BY FAX**
+64 9 375 5990

 **BY HAND**
Link Market Services Limited
Level 11, Deloitte House, 80 Queen Street
Auckland, New Zealand

 **ALL ENQUIRIES TO**
Telephone: 09 375 5998 Overseas: +64 9 375 5998



X99999999999

PROXY FORM

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

APPOINT A PROXY

the Chairman of the Meeting (mark box)

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

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Annual General Meeting of the Company to be held at **11:30am (AEDT) on Thursday, 26 October 2017 at Christie Conference Centre, The Yangtze Room, Mezzanine Level, 3 Spring Street, Sydney (the Meeting)** and at any postponement or adjournment of the Meeting.

Important for Resolution 1: If the Chairman of the Meeting is your proxy, either by appointment or by default, and you have not indicated your voting intention below, you expressly authorise the Chairman of the Meeting to exercise the proxy in respect of Resolution 1, even though the Resolution is connected directly or indirectly with the remuneration of a member of the Company's Key Management Personnel (**KMP**).

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

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an .

Resolutions

	For	Against	Abstain*
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Sir Ronald Brierley as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

 * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Companies Act 1993 (NZ).

MVT PRX1702C



HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

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

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form, including where the Resolution is connected directly or indirectly with the remuneration of KMP.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

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

APPOINTMENT OF A SECOND PROXY

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

To appoint a second proxy you must:

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

SIGNING INSTRUCTIONS

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

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

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

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

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

CORPORATE REPRESENTATIVES

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

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:30am (AEDT) on Tuesday, 24 October 2017**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

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



ONLINE

www.linkmarketservices.co.nz

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their CSN/Holder Number and Authorisation Code (FIN).



BY MAIL

Mercantile Investment Company Limited
C/- Link Market Services Limited
PO Box 91976
Auckland 1142, New Zealand



BY FAX

+64 9 375 5990



BY HAND

delivering it to Link Market Services Limited*
Level 11, Deloitte House
80 Queen Street, Auckland, New Zealand

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

**IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.**