

Ask Funding Limited – Second Supplementary Target's Statement

Ask Funding Limited ACN 094 503 385 (**Company**) (ASX: AKF) has today lodged a Second Supplementary Target's Statement in relation to the off-market takeover offer by Mercantile OFM Pty Ltd ACN 120 221 623 a wholly owned subsidiary of Mercantile Investment Company Limited ACN 121 415 576 (ASX Code MVT) (**Mercantile OFM**) with the Australian Securities and Investments Commission and provided a copy of the Second Supplementary Target's Statement to Mercantile OFM.

As required by section 647(3)(b) of the *Corporations Act 2001* (Cth), enclosed is a copy of the Second Supplementary Target's Statement.

FOR FURTHER INFORMATION PLEASE CONTACT:

Russell Templeton

Director & Company Secretary

Tel: + 61 (0) 7 3211 8000

Mobile: + 61 (0) 427 308 153

E-mail: russell.templeton@askfunding.com.au

Misha Collins

Non-executive director, strategic
and shareholder relations officer

Mobile: + 61 (0) 409 797 897

E-mail: misha.collins@askfunding.com.au

P 07 3211 8000

F 07 3211 8933

P0 Box 7111
Riverside Centre,
Brisbane Qld 4001

This product is issued by
Ask Funding Limited.
ABN 22 094 503 385

Second Supplementary target's statement

In response to the Offer by **Mercantile OFM Pty Ltd, a wholly owned subsidiary of Mercantile Investment Company Limited (ASX code MVT)** to acquire all of your ordinary Shares in **Ask Funding Limited ACN 094 503 385 (ASX: AKF)**

**This is an important document and requires your immediate attention.
If you are in any doubt about how to deal with this document, you should
contact your legal, financial, tax or other professional adviser immediately.**

**P 07 3211 8000
F 07 3211 8933**

PO Box 7111
Riverside Centre,
Brisbane Qld 4001

This product is issued by
Ask Funding Limited
ABN 22 094 503 385

1 Introduction

This document (**Second Supplementary Target's Statement**) is a supplementary target's statement under section 644 of the Corporations Act in relation to the off-market Offer by Mercantile OFM Pty Ltd, a wholly owned subsidiary of Mercantile Investment Company Limited (ASX code MVT) (**Mercantile OFM**) for all of your ordinary Shares in Ask Funding Limited ACN 094 503 385 (**AKF**).

This document supplements and is to be read together with the Target's Statement dated 13 July 2015 (**Original Target's Statement**) and the first supplementary target's statement dated 30 July 2015 (**First Supplementary Target's Statement**).

Unless the context requires otherwise, the defined terms in the Original Target's Statement have the same meaning in this Second Supplementary Target's Statement.

A copy of this Second Supplementary Target's Statement was lodged with ASIC on 5 August 2015. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Target's Statement.

2 Amendments to the First Supplementary Target's Statement

AKF wishes to make some changes to the First Supplementary Target's Statement. Some of these changes have been made to update or clarify certain disclosure in the First Supplementary Target's Statement. The First Supplementary Target's Statement is amended in the manner set out below.

Section 1 – Introduction

Delete the first sentence and replace with the following:

This document (**Supplementary Target's Statement**) is a supplementary target's statement under section 644 of the Corporations Act in relation to the off-market Offer by Mercantile OFM Pty Ltd, a wholly owned subsidiary of Mercantile Investment Company Limited (ASX code MVT) (**Mercantile OFM**) for all of your ordinary Shares in Ask Funding Limited ACN 094 503 385 (**AKF**).

Section 4 – Directors' recommendation

Delete the whole of section 4 and replace with the following:

The Directors of AKF unanimously recommend that you ACCEPT the Mercantile Offer. This recommendation is made after careful consideration of:

- (a) the increased Mercantile OFM Offer, of 8 cents per AKF Share;
- (b) the Net Tangible Assets of the Company (**NTA**), represented as a value of 8.5 cents per AKF Share; and
- (c) giving consideration to both risks and opportunities available to Shareholders.

The Directors have considered the following risks and opportunities in coming to this recommendation:

Risks

- (a) **discontinuation of the Net Present Value (NPV) adjustment provision in determination of the 2015 full year accounts, which implies a time value of money discount may now be appropriate in assessing the present value of the Company with respect to NTA. Therefore, the NPV provision of 1.1 cents per AKF Share, as set out in the Target's Statement, is no longer an adjustment provision, as this amount is now reflected in the NTA;**
- (b) **existence of ongoing collection risk in respect of the Company's loan book;**
- (c) **potential for a small portion of the loan book to be unviable to collect in the final stages of the run down due to shrinking economies of scale; and**
- (d) **existence of future liquidity risk in the trading of the AKF Share on the ASX.**

Opportunities

- (a) **there are a number of loans identified which are subject to potential write backs. As of 30 June 2015, these specifically identified loans amount to approximately, \$650,000. This amount has changed from the \$800,000 stated in the Target's Statement. The Directors again highlight that there is no certainty in respect of the write back opportunities identified;**
- (b) **the value of the Company's ASX listing could be realised by AKF via a back-door listing in partnership with another entity; and**
- (c) **the companies franking credit balance of \$3.2m has potential future value to Shareholders and may be attractive to parties exploring back door listing opportunities thereby allowing for increased value to be obtained from the ASX listing. The Directors confirm that the balance of franking credits has not changed since the date of the Target's Statement.**

The Directors recommendation is based on the careful consideration of the above risks and opportunities, however the Directors did not and have not attributed a per share value to these matters, except for the NPV adjustment provision, which no longer applies. The per share value considered by the Directors was the NTA value, being 8.5 cents per AKF Share, compared to the increased Mercantile OFM Offer of 8 cents per AKF Share.

BASED UPON A BALANCED ASSESSMENT OF THE RISKS AND OPPORTUNITIES AVAILABLE TO AKF SHAREHOLDERS, THE DIRECTORS CONCLUDE THE OFFER PRICE OF 8 CENTS PER SHARE IS REASONABLE DESPITE BEING AT A 6% DISCOUNT TO THE PROVISIONAL 30 JUNE 2015 NET TANGIBLE ASSETS OF THE COMPANY. THE DIRECTORS CONSIDER THIS A REASONABLE DISCOUNT BASED UPON AN ASSESSMENT OF THE ABOVE STATED RISKS AND FUTURE OPPORTUNITIES AVAILABLE TO THE SHAREHOLDERS.

3 Voting Power Above 50%

Mercantile OFM has advised AKF that from 31 July 2015 their voting power held in AKF has moved to 52.60%.

Mercantile OFM has advised AKF that from 3 August 2015 their voting power held in AKF has moved to 61.87%.

4 Automatic extension of offer period

According to section 624(2)(b) Corporations Act the Offer Period automatically extends by 14 days from the date that Mercantile OFM moved to more than 50% voting power.

Mercantile OFM's voting power moved to more than 50% on 31 July 2015, therefore the Offer Period now ends on 14 August 2015.

5 Questions

If you have any questions about the Mercantile OFM Offer, please call the AKF Shareholder information line on +61 7 3211 8000 on week days between 9.00am and 5.00pm (Brisbane time).

6 Approval of Second Supplementary Target's Statement

This Second Supplementary Target's Statement has been approved by a Directors resolution.

Dated: 5 August 2015



Kenneth Rich
Chairman