

Ask Funding Limited – Supplementary Target's Statement

Ask Funding Limited ACN 094 503 385 (**Company**) (ASX: AKF) has today lodged a 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 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 Supplementary Target's Statement.

FOR FURTHER INFORMATION PLEASE CONTACT:

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

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.**

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1 Introduction

This document (**Supplementary Target's Statement**) is a supplementary target's statement under section 644 of the Corporations Act in relation to the on-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**).

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

A copy of this Supplementary Target's Statement was lodged with ASIC on 30 July 2015. Neither ASIC nor any of its officers takes any responsibility for the contents of this Supplementary Target's Statement.

2 Offer final and unconditional

Mercantile OFM announced on 23 July 2015 that:

- (a) it has increased its cash offer for shares in AKF to 8 cents per AKF Share; and
- (b) its offer is final and unconditional, in the absence of a superior offer.

The increased offer of 8 cents per AKF Share is now final as to price and will not be increased, in the absence of a superior offer.

3 30 June 2015 accounts

In prior years AKF has adopted an accounting policy of raising a provision generally described as a Net Present Value (**NPV**) adjustment to reflect the uncertainty with timing of future cash flows. Since 30 June 2015 the Directors expect that the average asset duration will be less than twelve months, accordingly, the Directors believe that continuance of the NPV provision is no longer appropriate and have discontinued the provision. Therefore, the balance sheet at 30 June 2015 will reflect assets, liabilities and provisions according to ordinary concepts.

The Directors expect the audited 30 June 2015 accounts to reflect a net tangible asset value of 8.5 cents per AKF Share.

4 Directors' recommendation

The Directors of AKF unanimously recommend that you ACCEPT the Mercantile Offer after careful consideration of the new offer price, of 8 cents per AKF Share, relative to the value of AKF Share as represented by the Net Tangible Assets of the Company (**NTA**) and giving consideration to both risks and opportunities available to Shareholders. Specifically:

- (a) **the Mercantile OFM Offer being increased to 8 cents per AKF Share and being declared unconditional, in the absence of a superior offer;**

- (b) **the offer price of 8 cents being 6% below the NTA as shown in the provisional 30 June 2015 full year accounts. The Directors consider this a reasonable discount based upon an assessment of both risks and future opportunities available to the Shareholders.**

The Directors have considered the following factors in coming to this recommendation:

Risks

- (a) **discontinuation of the 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;**
- (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, specifically identified loans amount to approximately, \$650,000. At this time, the Directors note there is no certainty in respect of 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.**

BASED UPON A BALANCED ASSESSMENT OF THE RISKS AND OPPORTUNITIES AVAILABLE TO ASK FUNDING SHAREHOLDERS, THE DIRECTORS CONCLUDE THE OFFER PRICE OF 8 CENTS PER SHARE IS FAIR AND REASONABLE DESPITE BEING AT A 6% DISCOUNT TO THE PROVISIONAL 30 JUNE 2015 NET TANGIBLE ASSETS OF THE COMPANY.

5 Directors intend to accept the Offer

Each Director who owns AKF Shares intends to accept the Mercantile OFM Offer in respect of the AKF Shares they hold or control.

6 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).

7 Approval of Supplementary Target's Statement

This Supplementary Target's Statement has been approved by the Directors.

Dated: 30 July 2015



Kenneth Rich
Chairman