

# Mercantile Investment Company Limited

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14 September 2018

The Manager  
Company Announcements  
ASX Limited

## ASX ANNOUNCEMENT

### Off-market bid for Yellow Brick Road Holdings Limited by Mercantile OFM Pty Limited

We refer to the off-market takeover bid for the shares in Yellow Brick Road Holdings Limited (ACN 119 436 083) (**YBR**) by Mercantile OFM Pty Ltd (ACN 120 221 623) (**Mercantile OFM**), a wholly owned subsidiary of Mercantile Investment Company Limited, the terms of which are contained in a bidder's statement dated 20 August 2018 (**Bidder's Statement**).

**Attached**, in accordance with section 647(3)(c) of the Corporations Act 2001 (Cth), is a copy of the supplementary bidder's statement dated 14 September 2018 (**Supplementary Bidder's Statement**) issued by Mercantile OFM. The Supplementary Bidder's Statement was lodged with ASIC earlier today and will be sent to YBR today.

In addition, **attached** in accordance with item 8 of section 633(1) of the Corporations Act 2001 (Cth), is a notice stating that Mercantile OFM has today (commenced and) completed sending its Bidder's Statement to YBR shareholders. The offers contained in the Bidder's Statement are dated 14 September 2018.

The Offer is now open for acceptance and YBR shareholders are encouraged to accept the Offer as soon as possible, noting however that the Offer currently remains conditional.

The Offer is scheduled to close on 19 October 2018 unless extended or withdrawn.

A copy of the Bidder's Statement (including the Offer) attached to this announcement which includes all key Offer dates in accordance with ASIC Class Order [CO 13/521].



**Gabriel Radzynski**  
Director

# **Mercantile OFM Pty Ltd**

**ACN 120 221 623**

**Company Notice – Items 7, 8 and 9 of Section 633(1) of the *Corporations Act 2001* (Cth)**

## **Dispatch of Bidder's Statement and Offers**

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**To:** Yellow Brick Road Holdings Limited (ACN 119 436 083)  
Australian Securities and Investments Commission  
ASX Limited

Mercantile OFM Pty Ltd (ACN 120 221 623) (**Mercantile OFM**) gives notice that it has today (commenced and) completed dispatch of its bidder's statement dated 20 August 2018 (**Bidder's Statement**).

The Bidder's Statement contains an offer dated 14 September 2018. The Offer was made to all persons (other than Mercantile OFM and its Associates) registered as a holder of ordinary shares in Yellow Brick Road Holdings Limited (ACN 119 436 083) (**YBR**) as 21 August 2018.

A copy of the Bidder's Statement (which contains the Offer) is attached to this notice.



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**Gabriel Radzynski**  
**Director**  
**Date: 14 September 2018**

**Bidder's Statement**

**for the**

**Off-market cash Offer**

**by**

**Mercantile OFM Pty Ltd (Mercantile OFM)**  
**(ACN 120 221 623)**

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

**(ACN 121 415 576)**

**(ASX Code MVT)**

**to acquire all the ordinary Shares in**

**Yellow Brick Road Holdings Limited (YBR)**

**(ACN 119 436 083)**

**(ASX Code YBR)**

# **ACCEPT THE OFFER**

**at \$0.09 cash for each YBR Share**

**This is an important document and requires your immediate attention.**

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

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

The Offer is dated 14 September 2018 and will expire at 7.00pm (Sydney time) on 19 October 2018 (unless withdrawn or extended). ASIC takes no responsibility for this Bidder's Statement.

## Summary of the Offer

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

<b>The Offer</b>	Mercantile OFM is offering to acquire all of your YBR Shares.
<b>Offer Price</b>	The Offer Price is \$0.09 cash per YBR Share.
<b>Offer Period</b>	The Offer is scheduled to close at 7pm (Sydney time) on 19 October 2018 (but it may be extended).
<b>Why accept the Offer?</b>	The Offer allows YBR Shareholders to sell all of their YBR Shareholding at a cash price that represents a 3.2% discount to \$0.093, the last price at which YBR Shares traded prior to the date of this Bidder's Statement.
<b>Limited conditions</b>	<p>The only conditions to the Offer are:</p> <ul style="list-style-type: none"><li>(a) Mercantile OFM acquiring a Relevant Interest in more than 50.1% (by number) of YBR Shares on issue before the end of the Offer Period; and</li><li>(b) No Prescribed Occurrences, being the non-occurrence of each of the events referred to in Section 652C(1) and (2) of the Corporations Act.</li></ul> <p>The Offer is not subject to approval by YBR Shareholders in a general meeting.</p>
<b>Payment</b>	<p>If you accept the Offer, you will be paid the cash proceeds, by the later of:</p> <ul style="list-style-type: none"><li>(a) the date 1 month after you validly accept the Offer; and</li><li>(b) 1 month after the date the Offer becomes or is declared unconditional,</li></ul> <p>but in any event (assuming the Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.</p>
<b>Mercantile OFM and Associates existing shareholding in YBR</b>	As at the date of the Bidder's Statement Mercantile OFM did not hold a Relevant Interest in any YBR Shares. However, Mercantile OFM's parent company, MVT, does hold a Relevant Interest in 56,329,555 YBR Shares. Accordingly, Mercantile OFM and its Associates (together) have Voting Power in YBR of 19.97%.

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

## How to accept the Offer

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

## Why you should accept the Offer

### 1. Cash offer

The Offer is \$0.09 cash per YBR Share (**Offer Price**) and is for all of the YBR Shares that Mercantile OFM and its Associates do not already own.

The Offer Price represents a 3.2% discount to \$0.093 per YBR Share, the last price at which YBR Shares traded on ASX prior to the date of this Bidder's Statement.

The Offer Price is \$0.09. In the 3 months prior to the date of this Bidder's Statement, the highest closing price was \$0.125 per YBR Share.

### 2. The Offer provides certainty of value for all of your YBR Shares

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

### 3. You may not incur any brokerage costs in accepting the Offer

By accepting the Offer you will not incur any brokerage charges if your YBR Shares are registered in an issuer sponsored holding.

You may incur brokerage fees if you instruct your Controlling Participant to accept the Offer on your behalf.

### 4. Liquidity and ASX trading in YBR Shares

The Offer is to YBR Shareholders to sell all of their YBR Shares at a certain cash price.

In the 12 month period up to 17 August 2018 (being the last trading day prior to the date of this Bidder's Statement), the average daily aggregate value of YBR Shares traded on ASX was only \$46,718.

### 5. There are risks of not accepting

If you do not accept the Offer you will continue to be exposed to the risks of being a YBR shareholder. Mercantile OFM considers that, whilst past performance is no guarantee of future returns, YBR's historically poor financial and share price performance may indicate such performance may continue into the future without changes at YBR.

YBR's historical financial and share price performance has been poor. YBR has accumulated losses of \$38.5 million as at 31 December 2017. The YBR Share price has fallen by more than 84% in the past 5 years.

After the Offer, there will be no certainty that YBR Shareholders will be able to dispose of their YBR Shares at the Offer Price.

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

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

# Important information

## Important dates

Event	Date
Date of this Bidder's Statement	20 August 2018
Offer date (Dispatch of Bidder's Statement and Offer opens)	14 September 2018
Date of Offer conditions notice	12 October 2018
Close of Offer*	19 October 2018

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

## Bidder's Statement and Offer

This is a bidder's statement dated 20 August 2018 given by Mercantile OFM to YBR and each YBR Shareholder under Part 6.5 of Chapter 6 of the Corporations Act. This Bidder's Statement was approved by a resolution of the board of directors of Mercantile OFM. It includes an Offer for the YBR Shares dated 14 September 2018. The Offer relates to all YBR Shares that exist on 21 August 2018.

## ASIC

A copy of this Bidder's Statement was lodged with ASIC on 20 August 2018. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

## Investment decision

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

## Disclaimer

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

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

## Defined terms

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

## Sources of Information

Information included in this Bidder's Statement relating to YBR and its business has been derived solely from publicly available sources published by YBR, including annual and half yearly financial reports and ASX announcements. Information regarding any other listed company included in this Bidder's Statement has also been derived solely from publicly available sources published by those companies.

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

## Privacy

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

## 1. Main features of the Offer

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

### 1.1. The Offer

The Offer is being undertaken by way of an off-market takeover bid. The Offer is a takeover offer for all of the issued shares of YBR that Mercantile OFM and its Associates do not already own. Appendix A of this Bidder's Statement contains the terms of the Offer. The remainder of this Bidder's Statement contains other information known to Mercantile OFM which is relevant to your decision as to whether to accept or reject the Offer.

### 1.2. What is Mercantile OFM Offering for my YBR Shares?

The Offer is a cash offer of \$0.09 per YBR Share for all of the YBR Shares you own.

The Offer extends to YBR Shares on issue on 21 August 2018 not held by Mercantile OFM or its Associates.

### 1.3. Foreign Shareholders

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

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

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

### 1.5. When does the Offer close?

The Offer closes at 7.00pm (Sydney time) on 19 October 2018, unless extended or withdrawn in accordance with the Corporations Act.

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

### 1.6. How do I accept the Offer?

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

#### *For CHESS Holdings*

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

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

By post

**Mercantile OFM – YBR Offer  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235**

Hand delivery

**Mercantile OFM – YBR Offer  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138**

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

*For Issuer Sponsored Holdings*

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

By post

Hand delivery

**Mercantile OFM – YBR Offer  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235**

**Mercantile OFM – YBR Offer  
Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138**

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

**The Acceptance Form**

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

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

**1.7. Are there any Conditions to the Offer?**

The only conditions to the Offer are:

- (a) Mercantile OFM acquiring a Relevant Interest in more than 50.1% (by number) of YBR Shares on issue before the end of the Offer Period; and
- (b) No Prescribed Occurrences, being the non-occurrence of each of the events referred to in Section 652C(1) and (2) of the Corporations Act.

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

**1.8. When will I be paid my Offer Consideration?**

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

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

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

**1.9. What happens if I do not accept?**

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

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



**1.10. What are the tax consequences of the Offer?**

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

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

**1.11. Questions**

If you have any enquiries about the Offer or its terms, please contact Mercantile OFM on (02) 9252 9697 between 9am and 5pm (Sydney time) Monday to Friday or submit your query in writing to Level 5, 139 Macquarie Street, Sydney NSW, 2000, by fax on 02 8084 9918, or consult your financial or other professional advisor.

## **2. About Mercantile OFM**

### **2.1. Corporate**

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

### **2.2. Directors of Mercantile OFM and MVT**

The Directors of Mercantile OFM are:

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

The Directors of MVT are:

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

### **2.3. Public announcements by MVT**

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

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

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

### **2.4. Benefits for YBR Shareholders**

The key benefit for YBR Shareholders accepting the Offer is that they will be able to realise \$0.09 per YBR Share for all of their YBR Shareholding, in cash.

The Offer will allow all YBR Shareholders to dispose of their entire shareholding. YBR Shareholders who accept this Offer will no longer be exposed to the risks and uncertainties of remaining a YBR Shareholder.

### 3. YBR

#### 3.1. Disclaimer

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

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

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

#### 3.2. Overview of YBR and its main undertaking

YBR provides a number of financial services, including:

- Mortgage broking, aggregation and management services;
- Investment and wealth management services; and
- General insurance services.

#### 3.3. Directors

As at the date of this Bidder's Statement, there are 4 YBR Directors, being:

- Mr Mark Bouris (Executive chairman);
- Mr Adrian Bouris (Non-Executive Director);
- Mr Owen Williams (Non-Executive Director); and
- Mr John George (Non-Executive Director).

#### 3.4. Major YBR Shareholders

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

Name	Number of Shares	Percentage of issued capital
Mercantile Investment Company Limited	56,329,555	19.97%
Golden Wealth Holdings Pty Ltd	51,695,187	18.36%
Nine Entertainment Group/Pink Platypus Pty Limited	49,592,858	17.62%

### 3.5. Overview of YBR's historical financial performance

A summary of the historical consolidated financial performance of YBR and its previously controlled entities since 30 June 2014 is set out below:

	30 June 2017	30 June 2016	30 June 2015	30 June 2014
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Total Revenues	221,314	212,920	166,335	32,056
Expenses				
Commissions & consultancy expenses	(174,105)	(172,559)	(130,780)	(19,441)
Employee benefits expense	(17,358)	(17,141)	(14,421)	(9,366)
Depreciation & amortisation expense	(2,694)	(2,147)	(1,828)	(418)
Impairment of assets	-	(566)		(2,000)
Operating expenses	(10,596)	(16,140)	(10,249)	(6,649)
Occupancy expenses	(1,502)	(1,609)	(1,047)	(783)
Other non-operating expenses	(846)	(2,149)	(8,086)	(831)
Finance costs	(11,994)	(13,336)	(9,279)	(1,327)
Total Expenses	(219,095)	(225,647)	(175,690)	(40,815)
Profit/(Loss) before tax	2,219	(12,727)	(9,355)	(8,759)
Income tax (expense)/benefit	(973)	3,155	6,801	-
Profit/(Loss) from continuing operations attributable to owners of YBR	1,246	(9,572)	(2,554)	(8,759)

**Notes:**

1. The information in the table above has been drawn from the 2017, 2016, 2015 and 2014 Annual Reports.

### 3.6. Commentary on YBR financial results

YBR has reported losses in three of the past four financial years. Over this time, it has grown its revenues, largely through acquisitions. As at 31 December 2017, YBR has accumulated losses of \$38.5 million.

YBR's total shareholder returns over this period were -86%, equivalent to losses of 38.9% per annum during the past four financial years.

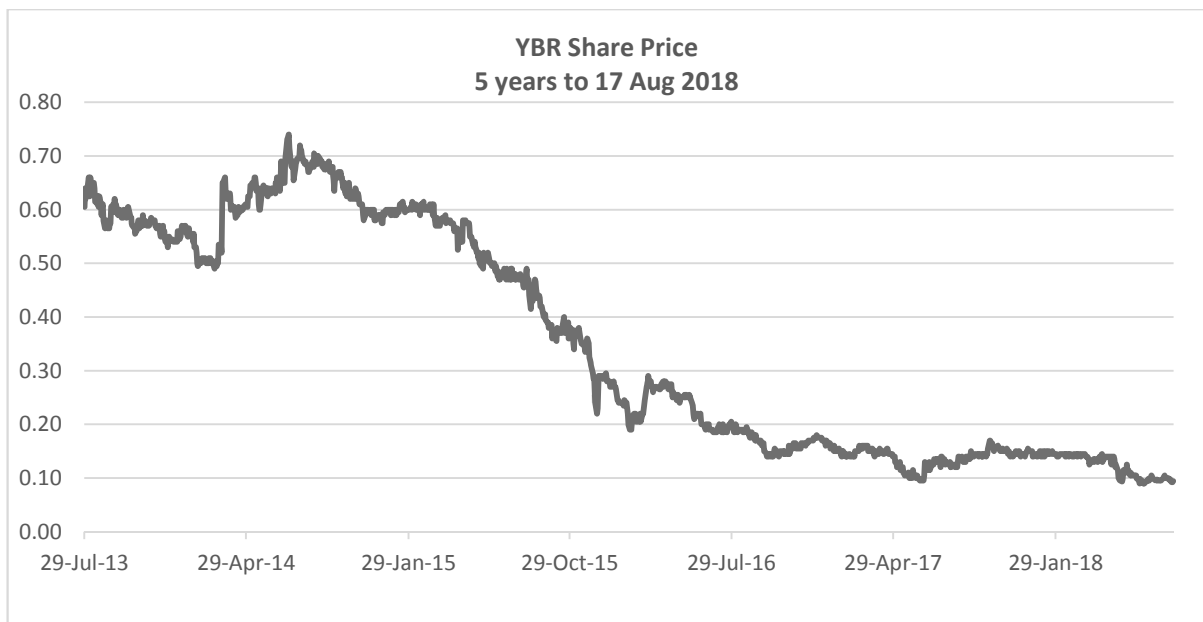
### 3.7. YBR Share price performance

The chart below shows YBR recent share price history and value of shares traded.



Source: Bloomberg

YBR's 5-year share price history is shown in the chart below.



Source: Bloomberg

### 3.8. ASX Announcements and ASIC disclosure

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

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

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

Since announcing its annual report for the year ended 30 June 2017, YBR has issued the following announcements to the ASX:

<b>Date</b>	<b>Announcement</b>
30/07/2018	Appendix 4C
26/06/2018	Inpro to Acquire YBR's Internal Client Wealth Portfolio
23/05/2018	Dispute Regarding Resi Earn-Out
22/05/2018	Ceasing to be a substantial holder from MQG
21/05/2018	Change in substantial holding from MQG
17/05/2018	Change in substantial holding from MQG
10/05/2018	Cleansing Notice
07/05/2018	Appendix 3B
27/04/2018	Appendix 4C – quarterly
24/04/2018	Change in substantial holding from MQG
23/04/2018	Change in substantial holding from MVT
06/03/2018	Change in substantial holdings from MBT
02/03/2018	Change of Director's Interest Notice
23/02/2018	Investor Update H1 FY2018
23/02/2018	Half Year Accounts
30/01/2018	Appendix 4C
18/01/2018	Director Appointment/Resignation
12/01/2018	Change in substantial holding from MVT
04/12/2017	Change in substantial holding from MVT
28/11/2017	Results of Meeting
01/11/2017	Annual Reports to shareholders

## 4. Mercantile OFM's Intentions

### 4.1. General

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

- the continuation of the YBR business;
- any significant changes to be made to the YBR business, including any redeployment of YBR's fixed assets; and
- the future employment of YBR's employees.

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

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

### 4.2. Rationale for the Offer

Mercantile OFM and its Associates are disappointed with the financial performance of YBR. Mercantile OFM and its Associates first acquired a Relevant Interest in YBR in November 2016, paying \$0.145 per YBR Share. Since then, the YBR Share price has declined by 35.9%.

Mercantile OFM and its Associates believe that such performance warrants Mercantile OFM making the Offer and seeking greater influence regarding YBR's strategy and operations. How Mercantile OFM might seek to exert this influence depends its Relevant Interest in YBR following the Offer and the outcome of the Review (defined below). See Section 4.3 to 4.7 for further details.

### 4.3. Strategic review

As Mercantile OFM does not currently have access to all material information, facts and circumstances which it considers necessary to assess the operational, commercial, taxation and financial implications of its current intentions, final decisions on these matters have not been made. Upon completion of the Offer, Mercantile OFM proposes to conduct a review of YBR's strategy, operations, activities, assets and employees in light of the information that then becomes available (**Review**). The Review is expected to focus on matters which have not been publicly disclosed and any changes that may have been made since the publication of the 2017 Annual Report.

Final decisions will only be reached in light of all material facts and circumstances. Accordingly, the statements set out in this Section are statements of current intention only which may change as new information becomes available or circumstances change. Until the Review is concluded, no decisions will be made on changes, if any, to the business activities of YBR.

YBR Mercantile OFM's current intentions in relation to the employees and directors of YBR are set out below.

At this stage no decision has been made to retain or dispose of any assets held by YBR.

#### **4.4. Mercantile OFM's intentions upon acquisition of 90% or more of YBR Shares**

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

- (a) At this point in time Mercantile OFM intends to proceed to compulsory acquisition of the remaining YBR Shares if it is entitled to do so under the Corporations Act.
- (b) Mercantile OFM will seek to remove YBR from the Official List.
- (c) Mercantile OFM intends to replace all non-executive members of the YBR Board with nominees of Mercantile OFM although as at the date of this Bidder's Statement, it has not made any decision as to who would be nominated for appointment.
- (d) If Mercantile OFM does not proceed with compulsory acquisition of the YBR Shares it does not own, it will undertake the actions referred to in Section 4.5.
- (e) Mercantile OFM intends to undertake the Review.
- (f) Subject to the outcome of the Review, to continue the employment of YBR employees.

#### **4.5. Mercantile OFM's intentions upon acquisition of at least 50% but less than 90% of YBR Shares**

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

In the event that Mercantile OFM achieves a Relevant Interest in YBR of at least 50% but less than 90%, Mercantile OFM's current intentions are as set out below.

- (a) YBR will become a controlled entity of Mercantile OFM.
- (b) Subject to the Corporations Act and the Review, Mercantile OFM proposes to seek the appointment of a majority of Mercantile OFM nominees to the YBR Board although it has not made any decision as to who would be nominated for appointment.
- (c) Mercantile OFM may seek to remove YBR from the Official List.
- (d) Subject to the outcome of the Review, to continue the employment of YBR employees.
- (e) Mercantile OFM intends to undertake the Review.
- (f) Mercantile OFM intends to undertake the activities referred to in Sections 4.4 to the extent permitted by its control of YBR.
- (g) Mercantile OFM may at, at some later time, acquire further YBR Shares in a manner consistent with the Corporations Act.
- (h) If Mercantile OFM becomes entitled at some later time to exercise general compulsory acquisition rights under Part 6A.2 of the Corporations Act, it may exercise those rights.

#### **4.6. Mercantile OFM's intentions upon acquisition of less than 50% of YBR Shares**

If Mercantile OFM does not achieve a Relevant Interest in YBR of at least 50%, Mercantile OFM will endeavour, to the extent possible through its non-controlling holding of YBR Shares, to give effect to the intentions set out in Sections 4.5. However, Mercantile OFM considers that its ability to effect the intentions set out in some parts of Sections 4.5 will be significantly limited if Mercantile OFM is unable to achieve a Relevant Interest in YBR of at least 50%.



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

#### **4.7. Limitations on intentions**

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

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

## **5. Sources of Bid consideration**

### **5.1. Consideration under the Offer**

The total amount that Mercantile OFM would be required to pay for YBR Shares if Mercantile OFM acquires all of the YBR Shares on issue on the date of this Bidder's Statement in which it does not have a Relevant Interest is \$20,348,125.

### **5.2. Commitment of Mercantile OFM funding**

No cash reserve held by Mercantile OFM is expected to be used to pay the Offer consideration. Mercantile OFM has received a letter of commitment from MVT, under which MVT has committed to loan Mercantile OFM, on an unsecured basis, the funds necessary to pay the Offer consideration. This loan must be repaid by Mercantile OFM one year after the closing date of the Offer. Interest on this loan will accrue at the Reserve Bank of Australia cash rate. Funds made available to Mercantile OFM under that Commitment Letter:

- are immediately available and are not subject to any conditions or limitations to drawdown;
- may be repaid at any time without penalty;
- are not subject to termination conditions; and
- are sufficient to fund the maximum available amount of consideration payable under the Offer and all associated transaction costs.

MVT holds in excess of \$6,609,515 in cash as at the date of this Bidder's Statement, of which \$5,489,634 is uncommitted. MVT's cash balance will vary in accordance with its investment activities. MVT has a revolving funding facility with Sir Ron Brierley upon which it can draw funds to the extent it requires additional cash to fund its commitment to Mercantile OFM. Sufficient funds are available to MVT under this revolving funding facility to ensure that MVT can meet its obligations to Mercantile OFM under the Commitment Letter (to loan Mercantile OFM all funds necessary to pay the Offer consideration).

## **6. Risk factors**

### **6.1. Risk factors associated with selling YBR Shares**

YBR Shareholders who accept the Offer will receive cash as their Offer Consideration. Those who accept the Offer will no longer be exposed to the risks associated with YBR's business.

Investors should appreciate that owning YBR Shares involves various risks which can be broadly categorised into risks relating to the Offer, general investment risks and specific business risks.

Each of these broad categories are outlined below in the following sections.

### **6.2. Risks relating to the Offer**

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

#### *YBR information*

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

#### *Minority Shareholders in YBR*

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

#### *Taxation risks*

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

#### *Taxation considerations*

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

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

#### *Ability to exercise effective control*

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

#### *Potential impact on subsequent bids*

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

### 6.3. Specific risks relating to retaining YBR Shares

#### *Main undertaking*

Irrespective of the outcome of the Offer, YBR Shareholders will retain exposure to the risks associated with YBR's main undertaking.

YBR, like other companies operating in the financial services sector, may face risks arising from the Royal Commission into misconduct in the Banking, Superannuation and Financial Services Industry (**Royal Commission**). YBR may, like other companies in these industries, be called to answer questions before the Royal Commission. As at the date of this Bidder's Statement, Mercantile OFM is not aware of YBR being called to appear before the Royal Commission.

YBR, like other companies operating in the financial services sector, may face risks to its business models (including but not limited to factors affecting its revenues and expenses) in future arising from any recommendations made by the Royal Commission and adopted by government.

No-one is able to predict what recommendations will be made by the Royal Commission, nor which recommendations will be adopted by government. Notwithstanding, Mercantile OFM believes it is reasonable to expect that financial services firms will likely face some pressures on their existing business models as a result.

### 6.4. General risks relating to retaining YBR Shares

An outline of some of the general business risks facing YBR are as set out below.

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

These are risks that are considered beyond the control of YBR.

#### *Possible volatility of YBR Share price*

The stock market has from time to time experienced significant price and volume fluctuations, which may be unrelated to the operating performance of particular companies.

The market price of YBR Shares may be volatile and may go down as well as up. Factors that may have a significant impact on the market price and marketability of YBR Shares include announcements as to government regulation, variation in interest rates, the activities of any competitors, economic and other external factors, as well as fluctuations in YBR's operating results.

YBR shareholders who accept Mercantile OFM's all-cash offer will no longer be exposed to such risks.

#### *Macroeconomic risks*

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

YBR shareholders who accept Mercantile OFM's all-cash offer will no longer be exposed to such risks.

*Regulatory changes*

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

YBR Shareholders who accept Mercantile OFM's all-cash offer will no longer be exposed to such risks.

**6.5. Note on risk factors**

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

## 7. Taxation implications

### 7.1. Introduction

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

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

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

### 7.2. Acceptance of the Offer and disposal of YBR Shares

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

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

In certain circumstances, YBR Shareholders may be eligible to apply the CGT discount to reduce their assessable capital gain where the YBR Shares have been held for more than 12 months (the eligibility requirements for the CGT discount are discussed in the following paragraphs). The relevant rate of the CGT discount is 50% for individuals, and  $33\frac{1}{3}\%$  for complying superannuation funds.

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

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

If YBR Shares are held by an individual and:

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

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

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

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

**All YBR Shareholders should obtain their own independent professional taxation advice.**

### **7.3. Stamp duty**

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

### **7.4. GST**

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

## **8. Information on YBR Securities**

### **8.1. YBR capital structure**

As at the date of this Bidder's Statement, there are 282,419,831 YBR Shares and 10,648,552 performance rights on issue. The Offer extends to all YBR Shares on issue as at 21 August 2018.

### **8.2. YBR Share trading**

In the 3-month period to 17 August 2018, the last trading day before the date of this Bidder's Statement, the average aggregate daily value of YBR Shares traded on ASX was only \$40,950.

Over the 3 months to 17 August 2018, YBR Shares have traded in the range of \$0.089 to \$0.125.

### **8.3. Interests of Mercantile OFM and Associates in YBR**

As at the date of this Bidder's Statement, Mercantile OFM did not hold a Relevant Interest in any YBR Shares. However, Mercantile OFM's parent company, MVT, holds a Relevant Interest in 56,329,555 YBR Shares.

Accordingly, as at the date of this Bidder's Statement, Mercantile OFM and its Associates have Voting Power in YBR of 19.97%.

### **8.4. No collateral benefits**

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

- accept the Offer; or
- dispose of YBR Shares,

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

### **8.5. No escalation agreements**

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

### **8.6. No dealings in YBR Shares**

There have been no dealings by MVT, Mercantile OFM, their respective Associates, Directors or related entities in YBR Shares during the 4 month period prior to the date of this Bidder's Statement and Offer.



## **9. Additional information**

### **9.1. Condition**

The Offer is conditional on Mercantile OFM obtaining a Relevant Interest in more than 50.1% (by number) of YBR Shares on issue before the end of the Offer Period and No Prescribed Occurrences.

### **9.2. Date for determining holders of YBR Shares**

For the purposes of Section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of Section 633(1) is 21 August 2018.

### **9.3. ASIC modifications and exemptions**

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

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

Mercantile OFM will make available a copy of the documents containing these statements (or relevant extracts from these documents), free of charge to YBR Shareholders who request them before the end of the Offer Period.

To obtain a copy of these documents (or the relevant extracts) YBR Shareholders should contact Mercantile OFM on (02) 9252 9697 between 9am and 5pm (Sydney time) Monday to Friday.

### **9.4. Consents**

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

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

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

Each of MVT, KardosScanlan Pty Limited and Link Market Services Limited:

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

In addition, this Bidder's Statement includes statements which are made in, or based on statements made in documents lodged with ASIC or given to ASX. Under ASIC Class Order CO 13/521, the makers of those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents (free of charge) please contact Mercantile OFM by fax on 02 8084 9918 or in writing to Level 5, 139 Macquarie Street, Sydney NSW, 2000.

**9.5. Other material information**

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

## 10. Definitions and interpretation

### 10.1. Definitions

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

<b>\$</b>	Australian Dollars.
<b>Acceptance Form</b>	The acceptance form for the Offer accompanying this Bidder's Statement.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	Has the same meaning given to that term in section 9 of the Corporations Act.
<b>ASX</b>	ASX Limited (ABN 98 008 624 691) or the financial products market, Australian Securities Exchange, as the context requires.
<b>ASX Settlement</b>	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers the CHESS system in Australia.
<b>ASX Settlement Operating Rules</b>	The settlement rules of ASX Settlement, a copy of which is available at <a href="http://www.asx.com.au">www.asx.com.au</a> .
<b>Bidder's Statement</b>	This bidder's statement dated 20 August 2018.
<b>Broker</b>	A person who is a share broker and a participant in CHESS.
<b>Business Day</b>	Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
<b>CGT</b>	Capital gains tax.
<b>CHESS</b>	The Clearing House Electronic Sub-register System, which provides for electronic share transfer in Australia.
<b>CHESS Holder</b>	A person who has a CHESS Holding.
<b>CHESS Holding</b>	A holding of YBR Shares on the CHESS subregister of YBR.
<b>Condition</b>	The condition of the Offer being the condition set out in Clause 7 of Appendix A.
<b>controlled entity</b>	Has the meaning given to that word in the Corporations Act.
<b>Controlling Participant</b>	The Broker who is designated as the controlling participant for Shares in a CHESS Holding in accordance with the ASX Settlement Operating Rules.
<b>Corporations Act</b>	The Corporations Act 2001 (Cth).
<b>Encumbrance</b>	An interest or power: <ul style="list-style-type: none"> <li>(a) reserved in or over an interest in any asset including, without limitation, any retention of title; or</li> <li>(b) created or otherwise arising in or over any interest in any</li> </ul>

asset under a bill of sale, mortgage, charge, lien, pledge, trust or power,

by way of security for the payment of a debt, any other monetary obligation or the performance of any other obligation and includes, without limitation, any agreement to grant or create any of the above.

<b>Foreign Law</b>	A law of any jurisdiction other than an Australian jurisdiction.
<b>Foreign Shareholder</b>	Any YBR Shareholder whose address in YBR's register of members is a place outside Australia and its external territories, to whom it is unlawful for the Mercantile OFM to make the Offer or for whom it is unlawful to accept the Offer.
<b>Governmental Agency</b>	Any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.
<b>Mercantile OFM Director</b>	A director of Mercantile OFM.
<b>MVT Director</b>	A director of MVT.
<b>MVT</b>	Mercantile Investment Company Limited (ACN 120 221 623).
<b>No Prescribed Occurrences</b>	The non-occurrence of each of the events referred to in Section 652C(1) and (2) of the Corporations Act.
<b>Offer</b>	The offer to acquire YBR Shares set out in Appendix A sent or to be sent to the holders of YBR Shares (or persons entitled to receive those offers under the Corporations Act).
<b>Offer Consideration</b>	Consideration offered by Mercantile OFM for YBR Shares, being \$0.09 per YBR Share.
<b>Offer Period</b>	The period for which the Offer remains open as set out in Section 2 of Appendix A.
<b>Registry</b>	Link Market Services Limited (ACN 083 214 537).
<b>Relevant Interest</b>	Has the same meaning given to that term in sections 608 and 609 of the Corporations Act.
<b>Rights</b>	All accretions, rights or benefits of whatever kind attaching to or arising from YBR Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive dividends, distributions or to receive or subscribe for Securities, stock, shares, notes, bonds, options or other securities, declared, paid or issued by YBR or any of its controlled entities.
<b>Security</b>	Has the meaning as given in Section 92 of the Corporations Act.
<b>Voting Power</b>	Has the same meaning given to that term in section 610 of the Corporations Act.
<b>YBR Board</b>	The board of Directors of YBR.
<b>YBR Director</b>	A director of YBR.

<b>YBR Share</b>	An ordinary Share in YBR.
<b>YBR Shareholder</b>	A registered holder of YBR Shares.
<b>YBR Shareholding</b>	The YBR Shares which a YBR Shareholder is recorded on the register of members of YBR as holding.

## 11. Interpretation

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

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

## **12. Approval of Bidder's Statement**

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

**Dated** 20 August 2018

**Signed** For and on behalf of Mercantile OFM Pty Ltd.

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

**Gabriel Radzynski**  
**Director**

## Appendix A

### Terms of Offer

#### 1. Mercantile OFM's Offer

- 1.1 Mercantile OFM offers to acquire your YBR Shares on the terms and conditions of this Offer. You may only accept this Offer in respect of all of your YBR Shares.
- 1.2 The consideration being offered by Mercantile OFM is \$0.09 for each YBR Share acquired under this Offer.
- 1.3 If you accept this Offer and Mercantile OFM acquires your YBR Shares, Mercantile OFM is also entitled to any Rights in respect of your YBR Shares acquired by Mercantile OFM.

#### 2. Offer Period

Unless withdrawn, this Offer remains open for acceptance during the period commencing on 14 September 2018 and ending at 7:00pm on 19 October 2018 Sydney time, subject to any extension of that period in accordance with the Corporations Act.

#### 3. Who may accept

- 3.1 An offer in the form of this Offer is being made to:
  - (a) each holder of YBR Shares other than Mercantile OFM and its Associates registered in the register of members of YBR at 7:00pm Sydney time on 21 August 2018; and
  - (b) each other holder of YBR Shares other than Mercantile OFM and its Associates who become so registered before the end of the Offer Period.
- 3.2 If at the time this Offer is made to you another person is, or at any time during the Offer Period and before this Offer is accepted becomes, the holder of any of your YBR Shares (**transferred Shares**), Mercantile OFM is deemed, in place of this Offer, to have made at that time a corresponding Offer on the same terms and conditions:
  - (a) to the other person, relating to the transferred Shares; and
  - (b) to you, relating to your YBR Shares other than the transferred Shares (if any).
- 3.3 If at any time during the Offer Period and before this Offer is accepted, you hold your YBR Shares in two or more distinct portions (for example, you hold some as trustee, nominee or otherwise on account of another person) within the meaning of Section 653B of the Corporations Act:
  - (a) this Offer is deemed to consist of a separate corresponding Offer to you in relation to each distinct portion of your YBR Shares;
  - (b) to accept any of those corresponding Offers, you must specify:
    - (i) by written notice accompanying your Acceptance Form; or
    - (ii) if the notice relates to YBR Shares in a CHESS Holding, in an electronic form approved by the ASX Settlement Operating Rules,

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



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

#### **4. How to accept this Offer**

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

#### **5. Effect of acceptance**

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

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

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

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

- (e) agreed that in exercising the powers conferred by the power of attorney under Clause 5.1(d) the attorney may act in the interests of Mercantile OFM as the intended registered holder and intended beneficial holder of those YBR Shares;
- (f) on this Offer or the contract resulting from your acceptance of the Offer becoming unconditional, agreed not to attend or vote in person at any general meeting of YBR or to exercise or purport to exercise any of the powers conferred on an attorney under Clause 5.1(d);
- (g) represented and warranted to Mercantile OFM that the making of the Offer to you and your acceptance of this Offer is lawful under any Foreign Law which applies to you, to the making of this Offer or to your acceptance of this Offer;
- (h) agree to indemnify Mercantile OFM and YBR fully in respect of any claim, demand, action, suit or proceeding made or brought against YBR and any loss, expense, damage or liability whatsoever suffered or incurred by Mercantile OFM, in each case as a result of any representation or warranty made by you not being true;
- (i) if and when the contract resulting from your acceptance of the Offer becomes unconditional (even though Mercantile OFM has not yet provided the consideration due to you) you authorise Mercantile OFM to transmit a message to ASX Settlement in accordance with Rule 14 of the ASX Settlement Operating Rules so as to enter those of your YBR Shares which are CHESS Holdings into the Mercantile OFM Takeover Transferee Holding (as defined in the ASX Settlement Operating Rules); and
- (j) if and when the contract resulting from your acceptance of this Offer becomes unconditional (even though Mercantile OFM has not provided the Consideration due to) you authorise Mercantile OFM to enter those of your YBR Shares which are Issuer Sponsored Holdings into the name of Mercantile OFM.

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

- (a) authorised Mercantile OFM and each of its directors, secretaries, officers, servants and agents severally to complete the Acceptance Form by correcting any errors in or omissions from the Acceptance Form as may be necessary for either or both of the following purposes:
  - (i) to make the Acceptance Form an effectual acceptance of this Offer; and
  - (ii) to enable registration of the transfer to Mercantile OFM of your YBR Shares; and
- (b) authorised Mercantile OFM and each of its directors, secretaries, officers, servants, and agents severally on your behalf to initiate acceptance or instruct your Controlling Participant to initiate acceptance in accordance with Rule 14 of the ASX Settlement Operating Rules.

- 5.3 Mercantile OFM may at any time in its absolute discretion:
- (a) treat the receipt by it of an Acceptance Form during the Offer Period as a valid acceptance although any of the other requirements for a valid acceptance have not been complied with; and
  - (b) where you have satisfied the requirements for acceptance in respect of only some of your YBR Shares, treat the acceptance as a valid acceptance only in respect of those YBR Shares.
- 5.4 In respect of any part of an acceptance treated by Mercantile OFM as valid, Mercantile OFM must provide you with the relevant consideration in accordance with Clause 6.1.

## **6. Consideration for your YBR Shares**

- 6.1 Subject to Clauses 6.2 and 6.4 of this Offer, if you accept this Offer and the contract resulting from your acceptance of this Offer becomes unconditional, Mercantile OFM will pay to you the Offer Consideration to which you are entitled by the later of:
- (a) the date 1 month after the date you validly accept this Offer; and
  - (b) 1 month after the date this Offer becomes or is declared unconditional,
- but in any event (assuming this Offer becomes or is declared unconditional), no later than the date 21 days after the end of the Offer Period.
- 6.2 If you accept this Offer and you are a Foreign Shareholder, you are not entitled to receive the Offer Consideration unless and until all requisite authorities or clearances have been obtained from the Reserve Bank of Australia and or the Australian Taxation Office. Refer to Clause 6.9 of this Offer for further information.
- 6.3 Notwithstanding anything else in the Bidder's Statement, Mercantile OFM is under no obligation to spend any money, or undertake any action, in order to satisfy themselves of the eligibility of Foreign Shareholders to receive the Offer Consideration as set out in this Clause 6.2.
- 6.4 Where the Acceptance Form or any subsequent request from Mercantile OFM requires additional documents to be given with your acceptance (such as a certified copy of any of a power of attorney, grant of probate or letters of administration, or any other document requested by Mercantile OFM to give better effect to your acceptance):
- (a) if the documents are given with your acceptance, Mercantile OFM will provide the Offer Consideration in accordance with Clause 6.1 of this Offer;
  - (b) if the documents are given after acceptance and before the end of the Offer Period and this Offer is subject to a defeating condition at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
    - (i) one month after the contract resulting from your acceptance of this Offer becomes unconditional; and
    - (ii) 21 days after the end of the Offer Period; or
  - (c) if the documents are given after acceptance and before the end of the Offer Period and this Offer is unconditional at the time that Mercantile OFM is given the documents, Mercantile OFM will provide the Offer Consideration by the end of whichever of the following periods ends earlier:
    - (i) one month after Mercantile OFM is given the documents; and

(ii) 21 days after the end of the Offer Period.

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

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

6.7 If:

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

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

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

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

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

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

## 7. Condition of this Offer

7.1 This Offer and the contract that results from acceptance of this Offer are each subject to the fulfilment of the following conditions:

- (a) **50.1% minimum acceptance:** Mercantile OFM has a Relevant Interest in more than 50.1% (by number) of YBR Shares on issue before the end of the Offer Period.
- (b) **No Prescribed Occurrences:** none of the following happens during the period commencing on the date of the Bidder's Statement and ending on the expiry of the Offer Period (each being a separate condition):
  - (a) the shares of YBR or any of the Controlled Entities of YBR are converted into a larger or smaller number of shares;
  - (b) YBR or a subsidiary of YBR resolves to reduce its share capital in any way;
  - (c) YBR or a subsidiary of YBR:
    - (i) enters into a buy-back agreement; or
    - (ii) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
  - (d) YBR or a subsidiary of YBR issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (e) YBR or a subsidiary of YBR issues or agrees to issue convertible notes;
  - (f) YBR or a subsidiary of YBR disposes or agrees to dispose of the whole or a substantial part of its business or property;
  - (g) YBR or a subsidiary of YBR grants or agrees to grant an Encumbrance over the whole or a substantial part of its business or property; or
  - (h) an Insolvency Event occurs with respect to YBR or a subsidiary of YBR.

7.2 Each paragraph and sub-paragraph of Section 7.1:

- (a) is and must be construed as a separate condition; and
- (b) subject to the Corporations Act, operates only for the benefit of Mercantile OFM and any breach or non-fulfilment of such condition may be relied upon only by Mercantile OFM which may waive (generally or in respect of a particular event) the breach or non-fulfilment of that Condition.

7.3 The Condition does not prevent a contract to sell your YBR Shares resulting from your acceptance of this Offer but:

- (a) breach of the Condition entitles Mercantile OFM to rescind that contract by notice to you; and
- (b) non-fulfilment of the Condition at the end of the Offer Period will have the consequences set out in this Section 7.1.

7.4 Where an event occurs that would mean at the time the event occurs the Condition to which this Offer or the contract resulting from your acceptance of this Offer is then subject would not be fulfilled, each paragraph of the Condition in Section 7.1 affected by that event becomes two separate Conditions on identical terms except that:

- (a) one of them relates solely to that event; and
- (b) the other specifically excludes that event.

Mercantile OFM may declare the Offer free under Section 7.1 from any paragraph of the Condition without declaring it free from the other paragraphs and may do so at different times.

- 7.5 Subject to the Corporations Act, Mercantile OFM may declare this Offer and any contract resulting from acceptance of this Offer free from the Condition by giving written notice to YBR:
- (a) in relation to the Condition in Section 7.1(a), not less than 7 days before the end of the Offer Period; and
  - (b) in relation to the other Conditions, not later than 3 business days after the end of the Offer Period.
- 7.6 The date for giving the notice on the status of the Condition as required by section 630(1) of the Corporations Act is 12 October 2018 (subject to extension in accordance with the Corporations Act) if the Offer Period is extended.
- 7.7 Your acceptance or the contract resulting from your acceptance of this Offer is void if:
- (a) at the end of the Offer Period the Condition in Section 7.1 is not fulfilled; and
  - (b) Mercantile OFM has not declared this Offer and any contract resulting from the acceptance of it free of the Condition in accordance with Section 7.5.

## **8. Withdrawal of Offers**

- (a) This Offer, if not previously accepted, may be withdrawn by Mercantile OFM, but only with ASIC's written consent (which consent may be given subject to any conditions which may be imposed by ASIC).
- (b) Subject to ASIC's consent (and any conditions imposed by ASIC), withdrawal of this Offer may be effected by written notice from Mercantile OFM given to YBR.
- (c) Subject to any conditions imposed by ASIC on its consent, where Mercantile OFM withdraws this Offer, if not previously accepted, automatically becomes incapable of acceptance.

## **9. Variation**

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

## **10. Mercantile OFM's Relevant Interests**

At the date of this Bidder's Statement, there are 282,419,831 YBR Shares and 10,648,552 performance options on issue.

As at the date of this Bidder's Statement, Mercantile OFM did not hold a Relevant Interest in any YBR Shares. However, Mercantile OFM's parent company, MVT, holds a Relevant Interest in 56,329,555 YBR Shares. Accordingly, Mercantile OFM and its Associates have Voting Power in YBR of 19.97%.

## **11. No duty**

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

## **12. Foreign laws**

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

## **13. Governing law**

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

This Offer is dated 14 September 2018.

**Supplementary Bidder's Statement for the Offer by  
Mercantile OFM Pty Ltd (ACN 120 221 623) (Mercantile OFM)  
to acquire all the ordinary shares in  
Yellow Brick Road Holdings Limited (ACN 119 436 083) (YBR)**

**Introduction**

This document is a Supplementary Bidder's Statement given pursuant to Division 4 of Part 6.5 of the Corporations Act 2001 in compliance with the requirements of Section 645 of the Corporations Act.

It is the first Supplementary Bidder's Statement prepared by Mercantile OFM (**Supplementary Bidder's Statement**) in relation to the Offer from Mercantile OFM to acquire all the YBR Shares that Mercantile OFM and its Associates do not already own, contained bidder's statement issued by Mercantile OFM and dated 20 August 2018 (**Original Bidder's Statement**).

This Supplementary Bidder's Statement supplements, and should be read together with, the Original Bidder's Statement. Defined terms used in this Supplementary Bidder's Statement are capitalised and have the meaning given to them in Section 10 of the Original Bidder's Statement.

**Mercantile OFM's funding**

1. The following statement is added after the last sentence in Section 5.2 of the Original Bidder's Statement:

*"Funds made available to MVT under the revolving funding facility with Sir Ron Brierley:*

- *are immediately available and are not subject to any conditions or limitations to drawdown;*
- *may be repaid at any time without penalty;*
- *are not subject to termination conditions; and*
- *are sufficient to fund the maximum available amount of consideration payable under the Offer and all associated transaction costs."*

**Additional definitions**

2. Section 10 of the Original Bidder's Statement is amended to include the following new definition:

**"Insolvency Event**      *Any event in Section 652C(1)(h) or 652C(2) of the Corporations Act."*

3. The definition of "Encumbrance" in Section 10 of the Original Bidder's Statement is amended to read as follows:

**"Encumbrance**      *Has the meaning of "security interest" for the purpose of Section 652C(1)(g) of the Corporations Act."*

**Authorisation**

This Supplementary Bidder's Statement is dated 14 September 2018, the date it was lodged with ASIC. This Supplementary Bidder's Statement has been approved by a unanimous resolution of the Directors.

Dated:                      14 September 2018

Signed for and on behalf of **Mercantile OFM Pty Ltd**



**Gabriel Radzynski**  
Director





