

ASX Announcement

3 June 2019

Acquisition of stake in Mercantile Investment Company Limited (ASX: MVT)

The independent non-executive directors of Sandon Capital Investments Limited (ASX:SNC) (**Sandon**), Peter Velez and Melinda Snowden, announce that Sandon has entered into an agreement to acquire up to 52,980,782 shares in Mercantile Investment Company Limited (ASX: MVT) (**Mercantile**) (representing up to 18.8% of the issued share capital of Mercantile) from Siblow Pty Limited (**Siblow**), an entity controlled by Sir Ron Brierley.

Under the agreement, Sandon will issue new fully paid ordinary shares to Siblow in consideration for the Mercantile shares. The number of Sandon shares to be issued will be equal to the number of Mercantile shares acquired multiplied by an exchange ratio, calculated as the pre-tax net tangible asset backing per share of Mercantile as at 31 May 2019 divided by the pre-tax net tangible asset backing per share of Sandon as at 31 May 2019, as reported by each of Mercantile and Sandon on ASX in accordance with Listing Rule 4.12 in June 2019.

As the pre-tax NTA of each of Sandon and Mercantile on 31 May 2019 will not be released until early/mid June 2019, the precise number of Sandon shares to be issued can't yet be determined. However, as an indication, if this were calculated by reference to the pre-tax NTA of each of Sandon and Mercantile as at 30 April 2019 as announced on ASX (adjusted for the dividend paid by SNC during May), the exchange ratio would be 0.2128 Sandon shares for each Mercantile Share. On that basis, Sandon would be required to issue 11,274,310 shares to Siblow. The maximum number of shares that Sandon is required to issue under the agreement is 12,101,289.

Sandon expects to complete the acquisition of Mercantile shares and issue of Sandon shares on or before 18 June 2019. The transaction is not subject to any conditions.

The Sandon shares will be issued under Sandon's capacity under Listing Rules 7.1 and 7.1A and accordingly shareholder approval will not be sought prior to the issue.

A copy of Sandon's substantial holder notice in respect of Mercantile is attached.

Further information:

Sandon Capital Investments Limited
Tel: 02 8014 1188
Fax: 02 8084 9918
Website: www.sandoncapital.com.au

Share registry:
Link Market Services
Tel: 1300 554 474 (toll free within Australia)
Email: registrars@linkmarketservices.com.au
Fax: +61 2 9287 0303
Postal Locked Bag A14, Sydney
Address: South NSW 1235

Form 603

Corporations Act 2001 Section 671B

Notice of initial substantial holder

To: Company Name/Scheme Mercantile Investment Company Ltd (ASX:MVT)
ACN/ARSN ACN 121 415 576

1. Details of substantial holder (1)

Name Sandon Capital Investments Limited
ACN/ARSN (if applicable) ACN 107 772 467

The holder became a substantial holder on 31 May 2019

2. Details of voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in on the date the substantial holder became a substantial holder are as follows:

Class of securities (4)	Number of securities	Person's votes (5)	Voting power (6)
Ordinary Shares	52,980,782	52,980,782	18.87%

3. Details of relevant interests

The nature of the relevant interest the substantial holder or an associate had in the following voting securities on the date the substantial holder became a substantial holder are as follows:

Holder of relevant interest	Nature of relevant interest (7)	Class and number of securities
Sandon Capital Investments Limited	Entered into agreement to acquire shares (copy attached)	52,980,782

4. Details of present registered holders

The persons registered as holders of the securities referred to in paragraph 3 above are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Class and number of securities
Sandon Capital Investments Limited	Siblow Pty. Limited	Sandon Capital Investments Limited	52,980,782

5. Consideration

The consideration paid for each relevant interest referred to in paragraph 3 above, and acquired in the four months prior to the day that the substantial holder became a substantial holder is as follows:

Holder of relevant interest	Date of acquisition	Consideration (9)		Class and number of securities
Sandon Capital Investments Limited	31 May 2019	Cash nil	Non-cash A number of shares in Sandon Capital Investments Ltd (ASX:SNC) to be determined as a function of the Pre-tax of each of MVT and SNC as outlined in attached agreement	52,980,782

6. Associates

The reasons the persons named in paragraph 3 above are associates of the substantial holder are as follows:

Name and ACN/ARSN (if applicable)	Nature of association

7. Addresses

The addresses of the persons named in this form are as follows:

Name	Address
Sandon Capital Investments Limited	Level 5, 139 Macquarie Street, Sydney NSW, 2000

Signature

print name

Peter Velez

capacity

Director

sign here



date

3 June 2019

DIRECTIONS

- (1) If there are a number of substantial holders with similar or related relevant interests (eg, a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 7 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The total number of votes attached to all the voting shares in the company or voting interests in the scheme (if any) that the person or an associate has a relevant interest in.
- (6) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (7) Include details of:
 - (a) any relevant agreement or other circumstances by which the relevant interest was acquired. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
 - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (8) If the substantial holder is unable to determine the identity of the person (eg if the relevant interest arises because of an option) write "unknown".
- (9) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included of any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.

This Share Sale Agreement is made on

31 May

2019

Parties:

1. **Siblow Pty. Limited** (ACN 003 602 417) care of BDO, Level 11, 1 Margaret Street, Sydney NSW 2000 (**Seller**);
2. **Sandon Capital Investments Limited** (ACN 107 772 467) of Level 5, 139 Macquarie Street, Sydney NSW 2000 (**Buyer**).

Recitals:

- A. The Seller is the legal and beneficial owner of the Sale Shares.
- B. The Seller wishes to sell, and the Buyer wishes to buy, the Sale Shares on the terms and conditions of this agreement.

1. Definitions and Interpretation

In this agreement:

ASX means ASX Limited (ACN 008 624 691) or, as the context requires, the financial market operated by it.

Bid NTA, in respect of the Company or the Buyer, means the NTA of the Company or Buyer (as applicable) as at 31 May 2019 as reported on ASX by the Company or the Buyer (as applicable) in June 2019 in accordance with Listing Rule 4.12, provided that such NTA is calculated in accordance with the same principles, policies and practices adopted by the Company or the Buyer (as applicable) in calculating the NTA of the Company or the Buyer (as applicable) as at 30 April 2019 as reported on ASX in May 2019.

Buyer Shares means fully paid ordinary shares in the capital of the Buyer.

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

Completion means the completion of the sale and purchase of the Sale Shares in accordance with clause 4.

Consideration Shares means a number of Buyer Shares equal to the number of Sale Shares multiplied by the Exchange Ratio, rounded to the nearest whole Buyer Share.

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

Encumbrance means any interest or power:

- (a) reserved in or over an interest in any asset including any retention of title; or
- (b) created or otherwise arising in or over any interest in any 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 any agreement to grant or create any of the above.

Exchange Ratio means the Bid NTA of the Company divided by the Bid NTA of the Buyer, rounded to the nearest hundredths place.

Governmental Agency means any government or any governmental, semi-governmental, administrative or fiscal body, court or other judicial body, department, commission, authority, agency or entity.

NTA means the unaudited pre-tax net tangible asset backing per share as at a particular date.

Sale Shares means 52,980,782 fully paid ordinary shares in the capital of the Company, provided that if the Consideration Shares to be issued on Completion would result in the Seller having Voting Power in the Buyer in excess of 19.99% at Completion, the number of fully paid ordinary shares in the capital of the Company will be reduced to such smaller number that would result in the Seller having Voting Power in the Buyer of 19.99% at Completion.

Voting Power has the meaning given in section 610 of the Corporations Act.

2. Sale and Purchase

2.1 On Completion, the Seller must sell and the Buyer must buy the Sale Shares:

- (a) for the Consideration Shares;
- (b) free of Encumbrances and other third party rights;
- (c) with all rights, including dividend rights, attached to or accruing to them on and from the date of this agreement; and
- (d) on the terms and conditions of this agreement.

2.2 Title to and risk in the Sale Shares pass to the Buyer on Completion.

3. Consideration Shares

3.1 The Seller:

- (a) applies for the Consideration Shares;
- (b) agrees to be bound by the constitution of the Buyer from time to time; and
- (c) consents to the entry of its names in the register of members of the Buyer.

3.2 The Consideration Shares must be fully paid and rank *pari passu* with all existing Buyer Shares on issue and must be issued free from all Encumbrances.

3.3 Within 5 Business Days after each date on which the Consideration Shares are issued, the Buyer must issue a notice in respect of the Consideration Shares complying with section 708A(6) of the Corporations Act to the ASX.

4. Completion

4.1 Completion must take place at the offices of Watson Mangioni, Level 23, 85 Castlereagh Street, Sydney, NSW 2000 at 10:00 am on the date 2 Business Days after the later of:

- (a) the date on which the NTA of the Company as at 31 May 2019 is announced on ASX; and
 - (b) the date on which the NTA of the Buyer as at 31 May 2019 is announced on ASX,
- or at such other place, date or time as the parties agree.

4.2 At Completion:

- (a) the Seller must:
 - (i) give the Buyer absolute ownership of and title to the Sale Shares free from any Encumbrances and other third party rights; and

- (ii) deliver to the Buyer an off-market transfer form relating to the Sale Shares in a form approved by the share registry of the Company and duly executed by the Seller; and

(b) the Buyer must issue the Consideration Shares to the Seller.

4.3 Completion is dependent on both the Buyer and the Seller complying in full with all of their obligations under clause 4.2. If any party fails to comply in full with its obligations under this clause 4.2, then the other party may, by notice in writing to the first mentioned party, elect not to complete and to terminate this agreement. If this agreement is terminated under this clause 4.3 then:

- (i) each party must return any document or property provided by the other relevant parties under this clause 4.2; and
- (ii) each party must do all things necessary to procure that the other parties are placed in the same position as if none of the steps referred to in this clause 4.2 had been undertaken.

5. Warranties

5.1 Each party represents and warrants to the other party (each as a separate warranty) that:

- (a) it is validly existing under the law of its place of incorporation;
- (b) it has full power and authority to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement;
- (c) it has taken all necessary action to authorise its execution, delivery and performance of this agreement in accordance with its terms;
- (d) its obligations under this agreement are legal, valid and binding, subject to any necessary stamping and registration, and are enforceable against it in accordance with their terms subject to applicable insolvency laws and equitable principles; and
- (e) the execution, delivery and performance of its obligations under this agreement to which it is a party complies with:
 - (i) each law, regulation, authorisation, ruling, judgment, order or decree of any Governmental Agency;
 - (ii) its constitution or other constituent documents; and
 - (iii) any Encumbrance or document which is binding upon it or any asset of it and does not and will not:
 - (A) result in the creation or imposition of any Encumbrance or restriction of any nature on any asset of it under the provisions; or
 - (B) accelerate the payment of any obligation existing under any Encumbrance or document which is binding upon it or any asset of it.

5.2 The Seller represents and warrants to the Buyer (each as a separate warranty) that:

- (a) the Seller is the legal and beneficial owners of the Sale Shares and has complete and unrestricted power and authority to sell the Sale Shares to the Buyer;
- (b) there is no Encumbrance, option, right of pre-emption, right of first or last refusal or other third party right over any of the Sale Shares;

- (c) the Seller does not have any Voting Power in the Buyer at the date of this agreement and will not have any such Voting Power at Completion other than as a result of holding the Consideration Shares.

5.3 Each warranty in clauses 5.1 and 5.2 is to be construed independently and is not limited by reference to any other warranty or any other provision in this agreement.

5.4 The warranties in clauses 5.1 and 5.2 remain in full force and effect on and after the Completion Date.

6. General

6.1 Each party must bear its own costs arising out of the preparation of this agreement.

6.2 This agreement is governed by the law for the time being in force in the State of New South Wales, Australia. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New South Wales, Australia.

6.3 This agreement may only be amended or supplemented in writing signed by the parties.

6.4 The parties must do all things and execute all documents as may be necessary or desirable to give effect to the provisions of this agreement and the transactions contemplated by it.

6.5 A party may not assign its rights or obligations under this agreement without the consent of the other party (which may be withheld in the other party's absolute discretion).

6.6 This agreement may be executed in any number of counterparts. All relevant counterparts of this agreement, when executed, will be deemed to constitute one and the same instrument comprising a binding agreement between all of the parties and may be enforced by each party against each other party as if they were all party to a single agreement.

6.7 This agreement may be executed on the basis of an exchange of facsimile copies or electronic images (such as scanned copies or digital photos), and execution of this agreement by such means is a valid and sufficient execution.

6.8 This agreement contains the entire agreement between the parties about its subject matter. Any previous understanding, agreement, representation or warranty relating to that subject matter is replaced by this agreement and has no further effect.

Executed as an agreement:

SIGNED by)
Siblow Pty. Limited)
 (ACN 003 602 417))
 in accordance with section 127)
 of the *Corporations Act 2001* (Cth):)

 Director/Secretary

 Director

 Name (please print)

 Name (please print)

SIGNED by)
Sandon Capital Investments Limited)
 (ACN 107 772 467))
 in accordance with Section 127 of the)
Corporations Act 2001 (Cth):)



 Director/Secretary



 Director

PETER ALEXANDER VELEZ

ELIZABETH MCGREGOR

 Name (please print)

 Name (please print)

Executed as an agreement:

SIGNED by)
Siblow Pty. Limited)
 (ACN 003 602 417))
 in accordance with section 127)
 of the *Corporations Act 2001* (Cth):)



Director/Secretary

ANTHONY SLOAN

Name (please print)



Director

Ron Brierley

Name (please print)

SIGNED by)
Sandon Capital Investments Limited)
 (ACN 107 772 467))
 in accordance with Section 127 of the)
Corporations Act 2001 (Cth):)

Director/Secretary

Director

Name (please print)

Name (please print)