

TARGET'S STATEMENT ISSUED BY
IPE LIMITED
ACN 107 843 381

in response to the Offer by Mercantile OFM Pty Limited ACN 120 221 623
to acquire all of your IPE Shares for A\$0.0775 in cash per IPE Share

ACCEPT

Your IPE Directors unanimously recommend that you ACCEPT the Offer for your IPE Shares in the absence of a Superior Proposal.

The Independent Expert has determined that the Offer is **FAIR and REASONABLE** to IPE Shareholders.

THIS IS AN IMPORTANT DOCUMENT THAT REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to how to deal with this document, you should consult your broker or legal, financial or other professional adviser immediately.

Legal Adviser to IPE



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1. KEY DATES

Event	Date
ASX announcement of the Offer and entry into the Merger Implementation Agreement	6 June 2018
Lodgement of Bidder's Statement with IPE and ASIC	4 July 2018
Lodgement of Target's Statement with Mercantile OFM and ASIC	4 July 2018
Record Date under the Takeover Bid ^	5 July 2018
Commencement of Offer Period under the Takeover Bid	10 July 2018
Dispatch of Bidder's Statement and Target's Statement to IPE Shareholders as at the Record Date	10 July 2018
Close of Offer Period under the Takeover Bid (unless withdrawn or extended)	10 August 2018

* Some of the dates set out in the above timetable are indicative only and are subject to variation in accordance with the Corporations Act. Any change to the above timetable is expected to be released by IPE on the ASX Company Announcements Platform.

^ The Record Date is the date for determining to which IPE Shareholders the Bidder's Statement and this Target's Statement will be sent. The Offer extends to all fully-paid ordinary shares in IPE that are on issue as at the Record Date and that are issued after the Record Date and before the end of the Offer Period, whether by way of conversion of, or the exercise of a right attaching to, any securities that existed as at the Record Date or otherwise.

2. IMPORTANT INFORMATION

This Target's Statement dated 4 July 2018 is given by IPE to Mercantile OFM and each IPE Shareholder pursuant to Part 6.5 of Chapter 6 of the Corporations Act, in response to the Offer made by Mercantile OFM to IPE Shareholders to acquire all IPE Shares not already held by Mercantile OFM or its associates pursuant to a Bidder's Statement dated 4 July 2018. This Target's Statement includes all information required by the Corporations Act. You should read this Target's Statement carefully and in its entirety.

Capitalised terms used in this Target's Statement are defined in the Glossary in section 12.

ASIC and ASX

A copy of this Target's Statement was lodged with ASIC on 4 July 2018 and provided to ASX on 4 July 2018. Neither ASIC nor ASX, or any of their respective officers, takes any responsibility for the contents of this Target's Statement.

Investment decision

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

Forward looking statements

Some of the statements in this Target's Statement are in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements are only predictions and are subject to inherent risks and uncertainties, which may not be within the control of IPE or Mercantile OFM. These include changes in risks, circumstances and events specific to the industry, countries and markets in which IPE, Mercantile OFM or their associated operations operate. Actual outcomes, events or results may differ – possibly to a material extent – from the outcomes, events or results expressed or implied in any forward looking statement in this Target's Statement. None of IPE, IPE's officers, employees or advisers, any persons named in this document with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (expressed or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any outcomes expressed or implied in any forward looking statement in this Target's Statement. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information on Mercantile OFM in this Target's Statement has been prepared using publicly available information, including information contained in the Bidder's Statement, and has not been independently verified by IPE. Accordingly, IPE does not make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Similarly, this Target's Statement contains references to the Bidder's Statement. Neither IPE nor any IPE Director takes any responsibility for the contents of the Bidder's Statement or any part of the Bidder's Statement. Parts and Sections of the Bidder's Statement referred to in this Target's Statement do not form part of this Target's Statement.

Privacy statement

IPE has collected your information from the register of IPE Shareholders maintained by IPE for the purpose of providing you with this Target's Statement. The type of information IPE has collected about you includes your name, address and information on your shareholding in IPE. IPE has also provided or will provide personal information about IPE Shareholders to Mercantile OFM in accordance with the Corporations Act and the ASX Settlement Operating Rules. Mercantile OFM states in the Bidder's Statement that it may disclose this information to its related bodies corporate and external service providers of Mercantile OFM for the purposes of completing the Takeover Bid, and that this information may also be required to be disclosed to regulators, such as ASIC and ASX. If you would like details of, or would like to update, information about you held by IPE, please contact the Share Registry or the Company Secretary of IPE at the addresses set out in the Corporate Directory contained in this Target's Statement.

Notice to Foreign IPE Shareholders

The release, publication or distribution of this Target's Statement may, in some jurisdictions other than Australia, be restricted by law or regulation of those jurisdictions. Accordingly, persons who come into possession of this Target's Statement should inform themselves of, and observe, those restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside of Australia.

3. CHAIRMAN'S LETTER

4 July 2018

Dear IPE Shareholder

On 6 June 2018, IPE Limited (**IPE**) entered into a Merger Implementation Agreement with Mercantile OFM Investment Company Limited (**Mercantile OFM**), pursuant to which parties have agreed to implement the Takeover Bid.

The Takeover Bid

Mercantile OFM has made an off-market Takeover Bid to acquire all IPE Shares not already held by it or its associates. IPE Shareholders who accept the Offer under the Takeover Bid will be entitled to receive A\$0.0775 in cash per IPE Share (**Offer Consideration**).

As at the date of this Target's Statement, Mercantile OFM does not hold a relevant interest in any IPE Shares. However, Mercantile OFM's holding company, Mercantile Investment Company Ltd (**MVT**), holds a relevant interest in 30,545,989 IPE Shares. Accordingly, Mercantile OFM and its associates have voting power in IPE of 22.52%.

The IPE Directors have carefully considered the Offer (on the above terms) and have agreed, under the Merger Implementation Agreement, to participate in efforts reasonably requested by Mercantile OFM to promote the merits of the Takeover Bid, in the absence of a Superior Proposal for IPE.

This Target's Statement sets out in detail the IPE Board's response to the Offer, the IPE Directors' reasons for recommending that you accept the Offer (in the absence of a Superior Proposal for IPE), along with other important information to help you decide whether to accept the Offer.

The IPE Directors engaged Titan Partners Corporate Finance Pty Limited (AFSL 427275) (**Independent Expert**) to prepare an Independent Expert's Report in response to the Offer. The Independent Expert has concluded that the Offer is fair and reasonable to IPE Shareholders. IPE Shareholders should read the Independent Expert's Report in its entirety, a copy of which is attached in the Schedule to this Target's Statement.

In making its recommendation, the IPE Directors have carefully considered the following matters:

- the Offer provides a significant premium for your IPE Shares, including a premium of 23% to the 30 trading day VWAP of A\$0.063 per IPE Share as at 5 June 2018, the last trading day before the Announcement Date;
- the Offer Consideration provides an immediate cash return to IPE Shareholders;
- the Independent Expert has concluded that the Offer is fair and reasonable to IPE Shareholders;
- as at the date of this Target's Statement, the Offer is the only takeover offer capable of acceptance by IPE Shareholders; and
- there are potential risks in not accepting the Offer, as described further in section 7.1.7 of this Target's Statement.

It is the intention of each of the IPE Directors who are IPE Shareholders to accept (or to procure the acceptance of) the Offer in respect of all IPE Shares that they control, in the absence of a Superior Proposal for IPE.

The relevant interests of the IPE Directors in IPE Shares are detailed in section 6.5 of this Target's Statement.

Having assessed the Offer and having considered the opinion of the Independent Expert, your IPE Directors unanimously recommend that you ACCEPT the Offer in the absence of a Superior Proposal for IPE.

The Offer is open from 10 July 2018 and is currently scheduled to close at 7.00pm (Sydney time) on 10 August 2018, unless otherwise varied.

The IPE Board strongly recommend that you read the Bidder's Statement and this Target's Statement in their entirety, and consider the Offer having regard to your personal circumstances, before deciding whether to accept the Offer.

If you wish to accept the Offer, you should follow the instructions in the Bidder's Statement and on the Acceptance Form.

Should you have any enquiries about the Offer, please consult your broker or legal, financial or other professional adviser.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Brunsdon', written over a horizontal line.

Geoffrey Brunsdon
Chairman

4. QUESTIONS AND ANSWERS ABOUT THE OFFER

Set out below is a summary of Mercantile OFM's Offer for your IPE Shares. This section is not intended to address all issues relevant to the decision of whether to accept the Offer, and should be read together with all other parts of this Target's Statement.

Further details as to the terms and conditions of the Offer are set out in Appendix A of the Bidder's Statement and section 10 of this Target's Statement. You should read this Target's Statement and the Bidder's Statement in their entirety prior to deciding whether to accept the Offer.

Question	Answer	Further information*
Takeover documents		
What is the Bidder's Statement?	The Bidder's Statement is the document from Mercantile OFM containing the Offer. You should have received a copy of the Bidder's Statement along with this Target's Statement.	
What is the Target's Statement?	<p>This document is the Target's Statement. The Target's Statement contains IPE's formal response to the Offer and includes the recommendations of the IPE Directors in relation to the Offer.</p> <p>The IPE Directors encourage you to review the information in this Target's Statement and the Bidder's Statement carefully, before making a decision as to whether to accept the Offer.</p>	
Key terms of the Offer		
Who is making the Offer?	<p>Mercantile OFM Pty Limited ACN 120 221 623, a wholly-owned subsidiary of Mercantile Investment Company Ltd (MVT).</p> <p>MVT is an ASX listed investment company trading under ASX code MVT.</p>	<p>Section 9</p> <p>Bidder's Statement – Section 2</p>
What is the Offer?	<p>Mercantile OFM is offering to acquire all of the fully-paid ordinary shares in the issued capital of IPE from:</p> <ul style="list-style-type: none"> each holder of IPE Shares other than Mercantile OFM and its associates registered in the register of members of IPE at 7.00pm (Sydney time) on 5 July 2018 (Record Date); and each other holder of IPE Shares (other than Mercantile OFM and its associates) who become so registered before the end of the Offer Period. <p>The Closing Date is currently scheduled to occur at 10 August 2018 but is subject to variation by Mercantile OFM.</p>	<p>Section 10</p> <p>Bidder's Statement – Appendix A</p>

* All references to "further information" are references to sections in this Target's Statement, except where it is indicated that it is a reference to a part, section or appendix of the Bidder's Statement.

Question	Answer	Further information*
What is the Offer Consideration?	Mercantile OFM is offering A\$0.0775 in cash per IPE Share.	Section 10.1 Bidder's Statement – Sections 1 and 6 of Appendix A
Choices with respect to the Offer		
What choices do I have as a IPE Shareholder?	<p>As a IPE Shareholder, you can:</p> <ul style="list-style-type: none"> • accept the Offer in respect of all of the IPE Shares that you hold; • sell all or some of your IPE Shares independently of the Offer (unless you have already accepted the Offer for your IPE Shares and have not validly withdrawn your acceptance); or • reject the Offer by doing nothing. <p>If you accept the Offer, you will be agreeing to transfer all (and not some) of the IPE Shares that you hold to Mercantile OFM.</p>	Section 5
What do the IPE Directors recommend?	The IPE Directors unanimously recommend you ACCEPT the Offer in the absence of a Superior Proposal for IPE. The reasons for your IPE Directors recommendations are set out in section 7 of this Target's Statement.	Sections 6.2 and 7
What do the IPE Directors intend to do with their IPE Shares?	It is the intention of each of the IPE Directors who are IPE Shareholders to accept (or to procure the acceptance of) the Offer in respect of all IPE Shares that they control, in the absence of a Superior Proposal for IPE.	Section 6.6
Offer Period		
When does the Offer open and close?	The Offer is open from 10 July 2018 and is currently scheduled to close at 7.00pm (Sydney time) on 10 August 2018, subject to Mercantile OFM extending or withdrawing the Offer in accordance with the Corporations Act.	Bidder's Statement – Section 2 of Appendix A
Can Mercantile OFM extend the Offer Period?	<p>Yes.</p> <p>While the Offer remains subject to unsatisfied Conditions, Mercantile OFM may extend the Offer Period at any time before the Conditions Status Notice has been given. Once the Conditions Status Notice is given, Mercantile OFM can extend the Offer Period only where a third party has taken steps to make a competing takeover bid for IPE Shares or the consideration for a competing bid has been improved.</p> <p>Once the Takeover Bid is declared unconditional, Mercantile OFM may extend the Offer Period at any time before the end of the Offer Period, provided that the Offer Period is no longer than 12 months in total.</p>	Section 10.4

Question	Answer	Further information*
	<p>Further, the Offer Period may, in some circumstances, be automatically extended by operation of the Corporations Act.</p> <p>Any extension of the Offer Period will be notified to you in writing.</p>	
Acceptance of the Offer		
To who is the Offer made?	<p>The Offer is made to you as the holder of IPE Shares which are registered in your name in the register of members of IPE at 7.00pm (Sydney time) on the Record Date. If at any time during the Offer Period another person is or is entitled to be registered as the holder of some or all of those IPE Shares, then:</p> <ul style="list-style-type: none"> • an offer corresponding to the Offer shall be deemed to have been made to that person in respect of IPE Shares of which that person is, or is entitled to be, registered as a holder; and • the Offer shall be deemed to have been made to you in respect of the remainder (if any) of the Shares that were registered in your name at 7.00pm (Sydney time) on the Record Date. 	Bidder's Statement – Section 3 of Appendix A
Can I accept the Offer if I am a Foreign IPE Shareholder?	<p>The 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 each Foreign IPE Shareholder's responsibility to satisfy themselves that they are permitted by any foreign law applicable to them to accept the Offer and to receive the Offer Consideration.</p>	Section 10.1 Bidder's Statement – Section 12 of Appendix A
When can I accept the Offer?	<p>You may accept the Offer at any time during the Offer Period, which opens on the Offer Date and is currently scheduled to close at 7.00pm (Sydney time) on 10 August 2018, unless extended or withdrawn in accordance with the Corporations Act.</p>	Bidder's Statement – Section 2 of Appendix A
How do I accept this Offer?	<p>To accept the Offer:</p> <ul style="list-style-type: none"> • 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 • if your IPE Shares are held in a CHESS Holding (as an alternative to completing the Acceptance Form) you may either: <ul style="list-style-type: none"> ○ instruct your Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.4 of the ASX Settlement Operating 	Bidder's Statement – Section 4 of Appendix A

Question	Answer	Further information*
	<p>Rules before the end of the Offer Period; or</p> <ul style="list-style-type: none"> ○ 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. 	
If I accept the Offer, can I later withdraw my acceptance?	You may only withdraw your acceptance if Mercantile OFM varies the Offer in a way that postpones the time when Mercantile OFM needs to meet its obligations by more than 1 month and, at that time, the Offer remains subject to unsatisfied Conditions.	Section 10.6
What if I do not accept the Offer?	<p>If you do not accept the Offer, you will retain your IPE Shares and will not be entitled to receive any Offer Consideration, subject to your statutory right to be 'bought-out' by Mercantile OFM if, at the end of the Offer Period, Mercantile OFM and its associates have relevant interests in at least 90% of IPE Shares.</p> <p>If Mercantile OFM acquires a relevant interest in at least 90% of the IPE Shares by the end of the Offer Period, Mercantile OFM has stated that it intends to proceed to Compulsory Acquisition.</p> <p>If this occurs, you will be issued with the same Offer Consideration at the conclusion of the Compulsory Acquisition process as if you had accepted the Offer. However, in those circumstances, you will receive the Offer Consideration later than if you had accepted the Offer during the Offer Period.</p>	Section 5.3
Offer Consideration		
When will I receive my Offer Consideration?	<p>If you validly accept the Offer, you will be issued the Offer Consideration within 21 days of the later of:</p> <ul style="list-style-type: none"> • the date that you accept the Offer; and • if the Offer is still conditional when you accept the Offer, the Offer becoming unconditional. 	Section 10.6
What happens if Mercantile OFM increases the Offer Consideration during the Offer Period?	If Mercantile OFM improves the Offer Consideration during the Offer Period, IPE Shareholders who have accepted the Offer by the close of the Offer Period – including those who accepted the Offer <i>prior</i> to the Offer Consideration having been improved – will be entitled to the improved Offer Consideration, assuming that the Offer is completed successfully.	Section 10.6
Conditions to the Offer		
Are there any conditions to completion of	Yes, completion of the Offer is subject to a number of Conditions, including by way of summary:	Section 10.2 Bidder's Statement

Question	Answer	Further information*
the Offer?	<ul style="list-style-type: none"> • before the end of the Offer Period, ASIC granting relief from the minimum bid price rule in section 621(3) of the Corporations Act to allow Mercantile OFM to take into account the decrease in the underlying value of the IPE Shares as a result of the return of capital announced by IPE on 1 March 2018 (ASIC Relief Condition); • Mercantile OFM, together with its associates, has a relevant interest in more than 50.01% (by number) of IPE Shares on issue before the end of the Offer Period (Minimum Acceptance Condition); and • no prescribed occurrences; • no distributions; • no fall in the net tangible asset value of IPE by 10% or more than the value set out in the last Monthly NTA Announcement released to ASX prior to 6 June 2018; and • no breach of a representation or warranty given by IPE in the Merger Implementation Agreement. <p>The ASIC Relief Condition has been satisfied.</p> <p>A complete list of Conditions, including their full terms, is set out in Section 7 of Appendix A of the Bidder's Statement.</p>	– Section 7 of Appendix A
When will the Offer become unconditional?	The Offer will become unconditional upon all Conditions being either satisfied in accordance with their terms or waived by Mercantile OFM.	Section 10.3
What happens if the Conditions are not satisfied or waived?	<p>If the Conditions are not satisfied before the Offer closes or waived within the prescribed period, then the Offer will lapse and your acceptance of the Offer or the contract resulting from your acceptance of the Offer will be void.</p> <p>If this occurs, you will continue to hold your IPE Shares and be free to deal with them as if the Offer had not been made.</p>	Section 10.3
Mercantile OFM's intentions for IPE		
What are Mercantile OFM's intentions for IPE after completion of the Offer?	<p>Mercantile OFM has set out its intentions in relation to IPE generally in Section 4 of the Bidder's Statement, including Mercantile OFM's intentions:</p> <ul style="list-style-type: none"> • upon acquiring 90% or more of IPE Shares; • if it acquires at least 50.01%% but less than 90% of IPE Shares; and 	Bidder's Statement – Section 4

Question	Answer	Further information*
	<ul style="list-style-type: none"> • with respect to IPE generally. <p>While Section 4 of the Bidder's Statement sets out Mercantile OFM's intentions for IPE in certain circumstances, these intentions are stated to be current intentions only and may vary as new information becomes available or circumstances change.</p>	
Additional information		
Will I incur any stamp duty or brokerage if I accept the Offer?	You will not incur any stamp duty or brokerage in connection with your acceptance of the Offer if your IPE 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.	Bidder's Statement – Section 1.5
What are the tax implications of accepting the Offer?	You should consult a financial, tax or other professional adviser on the specific potential tax implications of your acceptance of the Offer. A general summary of the Australian tax consequences for IPE Shareholders who accept the Offer is included in the Bidder's Statement. However, this summary should not be a substitute for seeking your own professional advice.	Bidder's Statement – Section 7
How do I get updates on the IPE Share price?	<p>It is likely that the market trading price for IPE Shares will vary during the Offer Period.</p> <p>You can check the market price for all ASX listed securities by visiting www.asx.com.au. The ASX code for IPE Shares is IPE.</p>	
Further enquiries	<p>For further information in relation to the Offer:</p> <ul style="list-style-type: none"> • see the Bidder's Statement for the full terms and conditions of the Offer; and • consult your broker or legal, financial or other professional adviser. 	

5. YOUR CHOICES AS A IPE SHAREHOLDER

The IPE Board encourages you to consider your personal risk profile, investment strategy, tax position and financial circumstances before making any decision as to whether or not you should accept the Offer.

As an IPE Shareholder, you have three choices available to you.

5.1 Accept the Offer

You may choose to accept the Offer for your IPE Shares. You are only able to accept the Offer in respect of all, and not some only, of the IPE Shares that you hold at the time of acceptance.

If you accept the Offer, you will be entitled to receive A\$0.0775 in cash for every 1 IPE Share that you hold and transfer to Mercantile OFM.

Further details of the Offer Consideration are set out in section 10.1 of this Target's Statement and Sections 1 and 6 of Appendix A of the Bidder's Statement.

You will only receive the Offer Consideration if each of the Conditions to the Takeover Bid are either satisfied or waived within the prescribed periods.

The consequences of accepting the Offer and the limited circumstances in which acceptances of the Offer may be withdrawn are discussed in section 10.6 of this Target's Statement. If you accept the Offer, you will not be able to sell any of your IPE Shares unless, at the time you decide that you no longer wish to accept the Offer, you have the right to withdraw your acceptance and you exercise that right.

If the Conditions are not satisfied before the Offer closes or are not waived within the prescribed period, then the Offer will lapse and your acceptance of the Offer will be void. If this occurs, you will continue to hold your IPE Shares and you will be free to deal with them as if the Offer had not been made.

5.2 Sell your IPE Shares

During the Offer Period, you may sell all or some of your IPE Shares, provided you have not already accepted the Offer for those IPE Shares. If you sell any of your IPE Shares, you may receive the agreed consideration for your IPE Shares sooner than if you accept the Offer while the Offer is subject to any Conditions.

If you sell any or all of your IPE Shares, you:

- will lose the ability to accept the Offer in respect of those IPE Shares;
- may be liable for CGT or income tax on the sale of those IPE Shares; and
- will lose the opportunity to receive any future returns from IPE in respect of those IPE Shares, if the Offer is not successfully completed.

You should refer to your tax adviser to determine the tax implications of such a sale.

5.3 Take no action

If you do not wish to sell any of your IPE Shares and do not wish to accept the Offer, you should take no action.

If you choose not to accept the Offer, Mercantile OFM will not be able to acquire your IPE Shares unless the Takeover Bid is declared unconditional and Mercantile OFM has acquired a relevant interest in at least 90% of all IPE Shares on issue as at the end of the Offer Period. In that event, Mercantile OFM will become entitled to compulsorily acquire all IPE Shares that it and its associates

do not already own. See section 10.8 of this Target's Statement for further information regarding Compulsory Acquisition.

In addition, if you choose not to accept the Offer and the following circumstances occur:

- the Minimum Acceptance Condition is satisfied or waived by Mercantile OFM and the Takeover Bid is declared unconditional; and
- Mercantile OFM has acquired a relevant interest in at least 50.01% but less than 90% (in number) of all IPE Shares by the end of the Offer Period,

you will be exposed to the risks associated with being a minority IPE Shareholder. Some of these risks are explained in section 10.7 of this Target's Statement.

6. IPE DIRECTORS' RECOMMENDATIONS, INTERESTS AND INTENTIONS

6.1 Promotion of Offer

On 6 June 2018, the IPE Directors entered into the Merger Implementation Agreement, on behalf of IPE, with Mercantile OFM pursuant to which it was agreed that the IPE Directors will participate in efforts reasonably requested by Mercantile OFM to promote the merits of the Takeover Bid, in the absence of a Superior Proposal for IPE.

6.2 Directors' recommendations

The IPE Directors unanimously recommend that you **ACCEPT** the Offer in respect of all your IPE Shares in the absence of a Superior Proposal for IPE.

Under the Merger Implementation Agreement, IPE must procure that the IPE Directors publicly state in the Target's Statement that they unanimously recommend that Shareholders accept the Offers in the absence of a Superior Proposal (**Recommendation**).

IPE must procure that the IPE Board collectively does not, and that each of the IPE Directors individually does not, change, withdraw or modify its or his Recommendation unless:

- the IPE Board has obtained written legal advice from its external legal advisers that not changing, withdrawing or modifying its or his Recommendation would reasonably be likely to involve a breach of the duties owed by the IPE Board collectively or any IPE Director individually or would otherwise be unlawful; or
- after the date of the Merger Implementation Agreement, IPE releases a monthly NTA announcement that contains a net tangible asset value that represents an increase of 10% or more from the value set out in the last monthly NTA announcement released to the ASX prior to 6 June 2018.

6.3 Reasons for recommendations

In assessing the Offer, the IPE Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement.

In summary, the principal reasons for which the IPE Directors recommend you accept the Offer in the absence of a Superior Proposal for IPE include:

- the Offer provides a significant premium for your IPE Shares;
- the Offer Consideration provides an immediate cash return to IPE Shareholders;
- the Independent Expert has concluded that the Offer is fair and reasonable to IPE Shareholders;
- as at the date of this Target's Statement, the Offer is the only takeover offer capable of acceptance by IPE Shareholders; and
- there are potential risks in not accepting the Offer, as described further in section 7.1.7 of this Target's Statement.

A more detailed overview of these reasons is set out in section 7 of this Target's Statement.

Based on these factors and taking into account the other considerations set out in this Target's Statement, your IPE Directors unanimously recommend that, in the absence of a

Superior Proposal for IPE, IPE Shareholders should accept the Offer in respect of all of their IPE Shares.

6.4 Independent Expert's opinion

As noted in section 7 of the Independent Expert's Report, the Independent Expert has determined the market value of an IPE Share on a controlling basis by using a market-based valuation methodology (recent share price) and an asset-based methodology (net tangible assets/net realisable value valuation).

The Independent Expert has concluded that the market value of an IPE Share, on a controlling basis, is in the range of \$0.0740 to \$0.0771 per IPE Share. The Offer Consideration of \$0.0775 per IPE Share is greater than the Independent Expert's valuation range.

After considering the market value assessed for an IPE Share and the Offer Consideration, the Independent Expert considers the Offer to be fair. In accordance with the guidance under ASIC Regulatory Guide 111 (RG 111), as the Independent Expert considers the Offer to be fair, the Offer is also considered to be reasonable.

IPE Shareholders should carefully read the Independent Expert's Report attached in the Schedule to this Target's Statement.

6.5 Interests and dealings of IPE Directors in securities of IPE

As at the date of this Target's Statement, each IPE Director and his or her associates holds a relevant interest in IPE Shares as follows:

Name	Relevant interest in number of IPE Shares	Voting power in IPE
Geoffrey Brunsdon	1,183,242	0.87%
Jon Schahinger	900,000	0.66%
Anthony Sims	200,000	0.15%

No IPE Director has acquired or disposed of a relevant interest in any securities of IPE in the 4 month period ending on the date immediately prior to the date of this Target's Statement.

6.6 Intentions of IPE Directors

It is the intention of each of the IPE Directors who hold or control IPE Shares to (in the absence of a Superior Proposal for IPE) accept, or to procure the acceptance of, the Offer, in respect of all of the IPE Shares controlled by that IPE Director or his or her associates.

6.7 Interests and dealings of IPE Directors in securities of Mercantile OFM

As at the date immediately prior to the date of this Target's Statement, no IPE Director has a relevant interest in any securities of Mercantile OFM. No IPE Director has acquired or disposed of a relevant interest in any securities of Mercantile OFM in the 4 month period ending on the date of this Target's Statement.

6.8 **Benefits and agreements**

6.8.1 **Benefits to IPE Directors**

No IPE Director has been or will be given, as a result of the Offer, any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from the IPE Board, managerial office or related body corporate of IPE.

No IPE Director has agreed to receive, or will receive, any benefit from Mercantile OFM which is related to or conditional upon the Offer, other than in their capacity as a holder of IPE Shares.

6.8.2 **Benefits in connection with retirement from office**

On 6 June 2018, IPE, Pomona Australia Pty Limited ACN 146 787 091 (**Pomona**), a company associated with Jon Schahinger, and Jon Schahinger entered into the termination deed (**Termination Deed**), pursuant to which:

- IPE must pay to Pomona in immediately available funds a termination fee of A\$400,000 plus GST (**Termination Fee**) in consideration for which Pomona agrees that the management agreement and the intermediary authorisation deed between IPE and Pomona will be immediately terminated; and
- Jon Schahinger will resign as a director and secretary of IPE,

within 10 business days of the completion of the Offer Period.

The transactions contemplated by the Termination Deed are conditional upon the Takeover Bid becoming unconditional, Mercantile OFM acquiring a relevant interest in at least 50.1% of the IPE Shares, and completion of the Offer Period.

As noted in section 7.5 of the Independent Expert's Report, the Independent Expert considers the Termination Fee to be not unreasonable. IPE Shareholders should carefully read the Independent Expert's Report attached in the Schedule to this Target's Statement.

6.8.3 **Agreements in connection with or conditional on the Offer**

Other than as set out in this Target's Statement, no agreement has been made between any IPE Director and any other person in connection with, or conditional upon, the outcome of the Offer, other than in their capacity as a holder of IPE Shares.

6.8.4 **Interests in contracts with Mercantile OFM**

No IPE Director has a direct interest in any contract entered into by Mercantile OFM.

7. REASONS FOR AND AGAINST ACCEPTING THE OFFER

Your IPE Directors consider that the following considerations are relevant in relation to your decision as to whether to accept or not accept the Offer.

7.1 Reasons FOR accepting the Offer

7.1.1 The Offer provides a significant premium for your IPE Shares

IPE Shareholders who accept the Offer will receive A\$0.0775 in cash per IPE Share (**Offer Consideration**). The Offer Consideration represents:

- a 23% premium to the closing price of A\$0.063 per IPE Share on 5 June 2018, the last trading day before the Announcement Date; and
- a 23% premium to the 30 trading day VWAP of A\$0.063 per IPE Share as at 5 June 2018.

7.1.2 The Offer Consideration provides an immediate cash return to IPE Shareholders

By accepting the Offer, you will obtain the certainty of receiving A\$0.0775 in cash per IPE Share. Further, the Offer Consideration is not exposed to the risks associated with an investment in IPE, including potential price volatility due to general market conditions and business performance.

7.1.3 The Independent Expert has concluded that the Offer is fair and reasonable to IPE Shareholders

Based on the analysis set out in the Independent Expert's Report, the Independent Expert has assessed that the Offer is fair and reasonable to IPE Shareholders because the Offer Consideration of \$0.0775 per IPE Share is greater than the Independent Expert's range of assessed values of a IPE Share on a controlling basis of \$0.0740 to \$0.0771.

IPE Shareholders should refer to the Independent Expert's Report in the Schedule to this Target's Statement for further information.

7.1.4 The Offer is the only takeover offer capable of acceptance by IPE Shareholders

As at the date of this Target's Statement, the Offer is the only takeover offer capable of acceptance by IPE Shareholders. IPE has not received any Superior Proposal from a third party.

7.1.5 The IPE Directors unanimously recommend you accept the Offer, in the absence of a Superior Proposal

Having carefully considered the terms of the Offer against all available alternatives, your IPE Directors unanimously recommend that you **ACCEPT** the Offer, in the absence of a Superior Proposal.

7.1.6 Under the Offer you may not incur brokerage fees

You will not incur any brokerage fees in connection with your acceptance of the Offer if your IPE 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.

7.1.7 There are risks in not accepting the Offer

At the end of the Offer Period, any IPE Shareholders who do not accept the Offer and retain their IPE Shares will be subject to the following risks:

- if Mercantile OFM acquires at least 50.01% of the IPE Shares and completes the Offer, but does not proceed to Compulsory Acquisition, then Mercantile OFM will be able to (among other things) control the composition of the board of IPE and significantly influence the direction of IPE generally;
- if Mercantile OFM acquires 75% (or more) of IPE Shares, it will, subject to applicable voting exclusions in the Corporations Act and, if IPE remains listed, the Listing Rules, be able to pass a special resolution at a general meeting of IPE Shareholders. This would enable Mercantile OFM to, among other things, change the constitution of IPE;
- the price of IPE Shares may fall following the end of the Offer Period and it is unlikely that the price of IPE Shares will reflect any takeover premium;
- the liquidity of your IPE Shares may be lower than at present, potentially affecting your ability to dispose of your IPE Shares; and
- if the number of IPE Shareholders is less than required by the Listing Rules to maintain an ASX listing, then Mercantile OFM may seek to have IPE removed from the official list of ASX.

Further risks associated with not accepting the Offer and retaining your IPE Shares are set out in section 8.9.1.

7.2 Reasons AGAINST accepting the Offer

7.2.1 You may disagree with the recommendation of the IPE Directors

You may hold a different view to the IPE Directors and believe that the Offer Consideration of A\$0.0775 in cash per IPE Share is inadequate.

7.2.2 Inability to accept a Superior Proposal if one was to emerge

Except in the limited circumstances provided for in the Corporations Act, accepting the Offer will preclude IPE Shareholders from accepting a Superior Proposal for IPE from a Third Party in respect of the IPE Shares the subject of that acceptance, should one emerge during the Offer Period. However, as at the date of this Target's Statement, no alternative proposal which is capable of acceptance by IPE Shareholders has been received.

7.2.3 Remaining a IPE Shareholder

If you accept the Offer, you will no longer be entitled to participate in the future financial performance of IPE or exercise the rights of an IPE Shareholder.

7.2.4 Selling IPE Shares on market

You may wish to cash out your investment in IPE on market if you expect that the proceeds may be higher than the value of the Offer Consideration. If you sell your IPE Shares on market, you:

- will lose the ability to accept the Offer or any other offer which may eventuate;
- will not be entitled to receive any increased consideration if the Offer Consideration is increased by Mercantile OFM;
- may receive more or less for your IPE Shares than the value of the Offer Consideration;
- may incur a brokerage charge; and

- may not obtain sufficient buyers to complete a trade above the value of the Offer Consideration (including because IPE Shares may be affected by reduced liquidity).

7.2.5 Tax consequences

As set out in Section 7 of the Bidder's Statement, acceptance of the Offer by IPE Shareholders is likely to have tax consequences. You should carefully read and consider the taxation consequences of accepting the Offer. However, IPE Shareholders should not rely upon the taxation considerations in Section 7 of the Bidder's Statement as being advice on their own affairs. The IPE Board encourages IPE Shareholders to consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their own particular circumstances.

After considering the reasons for accepting the Offer and the reasons against accepting the Offer, the IPE Directors unanimously recommend that IPE Shareholders ACCEPT the Offer in the absence of a Superior Proposal for IPE.

8. PROFILE OF IPE

8.1 Overview of IPE

IPE Limited (**IPE**) is a listed investment company that listed on ASX on 25 November 2004. At that time the Company's name was ING Private Equity Access Limited but, as a consequence of changes within the ING Group, the Company's shareholders approved the new name of IPE Limited at its AGM held on 31 October 2013.

IPE was established to provide retail investors access to the growing private equity market, through a listed investment company structure. Its charter was to invest in a range of private equity funds managed by reputable private equity firms in order to provide diversity of business life cycle, investment structures and industries within its investment portfolio.

Market conditions changed dramatically around 2008/2009 and the Company announced that it would not be making new private equity commitments and would wind down its investment portfolio over time having concluded that the revised strategy would maximise value for investors.

8.2 Strategy and position of IPE

The private equity program was developed on a multi-manager (or fund of funds) basis over time, with the aim of building a well-diversified portfolio of private equity funds managed by a selection of professional private equity managers:

- commitments were originally made to 16 private equity funds in order to build the Company's exposure to private equity investments;
- commitments were made to ensure steady "vintage year" diversification, but there were no further commitments following the change in strategy announced in June 2009;
- as private equity funds generally operate on a partly paid basis, the Company's private equity commitments were funded gradually over many years;
- similarly, private equity funds sell their investments gradually over a number of years and then terminate;
- as at 30 June 2009, the portfolio consisted of 16 private equity funds with 90 underlying investments and with \$42.6 million of undrawn commitments;
- as at the date of this Target's Statement, 5 private equity funds remain in the portfolio, holding 10 underlying investments and undrawn commitments which amount to less than \$0.4 million.
- dividends and capital returns are being paid to investors as the portfolio is wound down and a total of 56.15 cents per share has been paid since the change of strategy in 2009;
- the portfolio value and price of IPE Shares now have the potential to be quite volatile, given the relative small size of the remaining portfolio; and
- as the Company's asset base declines, its fixed costs become increasingly material.

8.3 Capital structure of IPE

8.3.1 Total IPE Shares

As at the date of this Target's Statement, IPE has a total of 135,642,099 fully-paid ordinary shares on issue.

8.3.2 Substantial shareholders

As at the date of this Target's Statement, the following IPE Shareholders have a relevant interest (when aggregated with their respective associates) in more than 5% of the capital of IPE:

Name	Relevant interest in IPE Shares	Voting power in IPE
Stafford Fund Nominees Pty Ltd ATF Stafford Private Equity Fund 4	34,369,189	25.34%
Mercantile Investment Company Limited	30,545,989	22.52%

8.4 IPE Directors

The IPE Board is comprised of the following IPE Directors:

- Mr Geoffrey Brunsdon – Independent and Non-Executive Director (Chairman);
- Mr Jon Schahinger – Managing Director; and
- Mr Anthony Sims – Independent and Non-Executive Director.

8.5 Financial information of IPE

The full financial statements for IPE for its financial years ended 30 June 2015, 2016 and 2017, which include the notes to the financial statements, are available from the 'Shareholder Information' section of IPE's website: <http://www.ipelimited.com.au/>.

8.6 No material changes in financial position of IPE

To the knowledge of each of the IPE Directors, the financial position and performance of IPE has not materially changed since 30 June 2017 (being the most recent financial year of IPE for which audited financial statements of IPE were prepared), other than as disclosed in subsequent ASX announcements.

8.7 No material adverse effect on material contracts

None of IPE's material contracts contains a change of control clause which would give rise to Mercantile OFM having the ability to terminate its Offer on the basis that the counterparty may have the ability to terminate the contract with a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of IPE.

8.8 No pending litigation

As at the date of this Target's Statement and other than as disclosed in IPE's previous ASX announcements, IPE is not involved in any legal proceedings and the IPE Directors are not aware of any legal proceedings pending or threatened against IPE.

8.9 Risk factors affecting IPE's business

The risk factors in this section 8.9 are existing risks in relation to IPE's business and the industry in which it operates. Some or all of these risks will continue to be relevant to IPE Shareholders who do not accept the Offer and retain their IPE Shares in IPE (assuming that the Takeover Bid does not proceed to Compulsory Acquisition). The risks will also continue to be relevant to all IPE Shareholders (who retain their IPE Shares) if the Offer does not proceed.

This section 8.9 describes key, but not all, risks associated with an investment in IPE as at the date of this Target's Statement. This section 8.9 does not take into account the investment objectives, financial circumstances, taxation position or particular needs of individual IPE Shareholders and is not exhaustive. Prior to deciding whether or not to accept the Offer, IPE Shareholders should carefully consider the risk factors discussed in this section 8.9, as well as other information contained in this Target's Statement and the Bidder's Statement, and seek independent professional advice.

In addition, if you do not accept the Offer during the Offer Period, you may end up being a minority shareholder in IPE. This section 8.9 should be read in conjunction with section 7.1.7 of this Target's Statement, which describes some of the risks associated with being a minority shareholder in IPE.

8.9.1 Specific Risks

Wind-down of IPE's portfolio

As the wind-down of IPE's portfolio continues, IPE Shareholders should be aware of the following risks:

- IPE does not control the pace of the wind-down of its portfolio as the exit of underlying investments is the responsibility of the relevant private equity manager. Accordingly, IPE cannot provide any definitive guidance on the timing and amounts of any future cash payments to IPE Shareholders;
- general market and sector specific conditions will affect the timing and result of any sale processes;
- approximately 42% (by value) of the current underlying investments are denominated in non-Australian currencies so are exposed to exchange rate fluctuations;
- IPE has no franking credits available and is not expected to generate any significant credits in the future; and
- the fixed costs of IPE will become increasingly material to its operations as its wind-down progresses.

8.9.2 General Risks

General economic conditions

Australian and world economic conditions may negatively affect IPE's financial performance. Any protracted slowdown in economic conditions or factors such as the level of production in any relevant economy, inflation, currency fluctuation, interest rates, supply and demand and industrial interruption may have a negative impact on IPE's financial performance. Prolonged deterioration in general economic conditions could be expected to have a material adverse impact on IPE's financial performance.

Taxation

Changes to tax legislation and regulations or their interpretation may adversely affect the value of an investment in IPE Shares and may affect IPE Shareholders differently.

Accounting Standards

Changes in the accounting standards or the interpretation of those accounting standards that occur after the date of this Target's Statement may impact on IPE's reported financial performance.

8.10 **Mercantile OFM shares held by IPE**

IPE does not have a relevant interest in securities of Mercantile OFM or its related bodies corporate.

9. PROFILE OF MERCANTILE OFM

9.1 Important information

The following information about Mercantile OFM is based on public information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, IPE does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information on Mercantile OFM in this Target's Statement should not be considered comprehensive. IPE Shareholders should refer to the Bidder's Statement for information about Mercantile OFM.

9.2 Overview of Mercantile OFM

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.

9.3 Directors of Mercantile OFM and MVT

The Mercantile OFM Board is comprised of the following Mercantile OFM Directors:

- 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
- My Gary Weiss – alternate director for Daniel Weiss.

10. IMPORTANT INFORMATION ABOUT THE OFFER

10.1 The Offer

On 6 June 2018, IPE entered into a Merger Implementation Agreement with Mercantile OFM pursuant to which the parties agreed to implement a Takeover Bid by Mercantile OFM to acquire all IPE Shares on issue as at the Record Date and at the end of the Offer Period that it or its associates do not already own.

The Offer is to acquire all your IPE Shares, including any Rights attaching to them. You cannot accept the Offer for only some of your IPE Shares.

Completion of the Offer is conditional upon the satisfaction of each of the Conditions including, significantly, the Minimum Acceptance Condition (as described in further detail in section 10.2 below).

The consideration being offered to IPE Shareholders under the A\$0.0775 in cash for every one IPE Share that you transfer to Mercantile OFM (**Offer Consideration**).

The 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). If you are a Foreign IPE Shareholder, it is your responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the Offer and to receive the Offer Consideration.

The conduct of the Offer is otherwise governed by the terms and conditions set out in the Bidder's Statement.

10.2 Conditions of the Offer

IPE Shareholders should note that the Offer, and any contract resulting from an acceptance of the Offer, is conditional on the satisfaction of a number of Conditions, including the ASIC Relief Condition and the Minimum Acceptance Condition, which are stated in the following terms:

ASIC Relief Condition

Before the end of the Offer Period, ASIC granting relief from the minimum bid price rule in section 621(3) of the Corporations Act to allow Mercantile OFM to take into account the decrease in the underlying value of the IPE Shares as a result of the return of capital announced by IPE on 1 March 2018.

The ASIC Relief Condition has been satisfied.

Minimum Acceptance Condition

Mercantile OFM, together with its associates, has a relevant interest in more than 50.01% (by number) of IPE Shares on issue before the end of the Offer Period.

For a complete description of the Conditions, please see Section 7 of Appendix A of the Bidder's Statement.

10.3 Consequences of Conditions not being satisfied

There is a risk that the Conditions may not be satisfied before the end of the Offer Period. However, even if the Conditions are not satisfied, Mercantile OFM may – but is not obliged to – waive those Conditions.

If any of the Conditions remains unsatisfied by the 7th day prior to the end of the Offer Period, Mercantile OFM will need to decide whether to free the Offer of those unsatisfied Conditions and proceed with the Takeover Bid or to allow the Offer to lapse as a result of those unsatisfied Conditions.

10.4 **Conditions Status Notice**

Mercantile OFM must give a Conditions Status Notice by no later than 7 days prior to the end of the Offer Period. Mercantile OFM is required to set out in its Conditions Status Notice:

- whether the Offer is free of any or all of the Conditions;
- whether, so far as Mercantile OFM is aware, any of the Conditions have been fulfilled; and
- Mercantile OFM's voting power in IPE as at that time.

If the Offer Period is extended before the time by which the Conditions Status Notice is to be given, the date that Mercantile OFM must give the Conditions Status Notice will be taken to be extended for the same period.

In the event of such an extension, Mercantile OFM is required to give a notice to IPE and ASIC that states the new date for giving the Conditions Status Notice, as soon as practicable after the extension.

In addition, if a Condition is fulfilled during the Offer Period but before the date on which the Conditions Status Notice is required to be given, Mercantile OFM must give the ASX and IPE a notice confirming that the particular Condition has been fulfilled, as soon as practicable.

10.5 **Extension of the Offer Period**

The Offer is scheduled to close at 7.00pm (Sydney time) on 10 August 2018 unless Mercantile OFM extends or withdraws the Offer Period in accordance with the Corporations Act.

While the Offer remains subject to unsatisfied Conditions, Mercantile OFM may extend the Offer Period at any time before the Conditions Status Notice has been given. Once the Conditions Status Notice is given, Mercantile OFM can extend the Offer Period only where a third party has taken steps to make a competing takeover bid for IPE Shares or the consideration for a competing bid has been improved.

Once the Takeover Bid is declared to be unconditional, Mercantile OFM may extend the Offer Period at any time before the end of the Offer Period, provided that the Offer Period is no longer than 12 months in total.

There will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period, Mercantile OFM improves the Offer Consideration under the Offer or Mercantile OFM's voting power in IPE increases to more than 50%. If either of these two events occurs within the last 7 days of the Offer Period, the Offer Period is automatically extended so that it ends 14 days after the date upon which that relevant event occurs.

The Offer will lapse if, at the end of the Offer Period, any of the Conditions is not satisfied in accordance with its terms or waived. If this occurs, any acceptances by IPE Shareholders of the Offer, and any contracts resulting from the acceptance of the Offer by IPE Shareholders will become void. If the Offer lapses, IPE Shareholders who have accepted that Offer will continue to own the IPE Shares that are the subject of that acceptance and will remain free to deal with them as they choose.

10.6 **Effect of acceptance and rights of withdrawal**

By accepting the Offer, you will be deemed to have agreed to transfer all of your IPE Shares (including all of the Rights attaching to them) to Mercantile OFM, with no guarantee of receipt of the Offer Consideration unless and until the Takeover Bid is declared unconditional.

In addition and subject to the withdrawal rights discussed below, accepting the Offer will:

- prevent you from accepting any competing bid for your IPE Shares that may be made by a third party or any Competing Proposal that may be recommended by the IPE Directors;
- in the event that not all Conditions are satisfied, give Mercantile OFM the option to either complete the Offer and keep your IPE Shares (by waiving all remaining unsatisfied Conditions) or allow the Offer to lapse, in which case your acceptance of the Offer will be void and you will retain all your IPE Shares; and
- prevent you from selling your IPE Shares for at least the remainder of the Offer Period.

If you accept the Takeover Bid, you will only have a right to withdraw your acceptance in certain limited circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary, under the Corporations Act, you may withdraw your acceptance of the Offer if Mercantile OFM varies the Offer in a way that postpones the time when Mercantile OFM needs to meet its obligations under the Offer for more than 1 month and, at that time, the Offer remains subject to unsatisfied Conditions.

In those circumstances, you will have a period of 1 month after the date that the Offer Period is extended to withdraw your acceptance. Your statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you will receive further statutory withdrawal rights (i.e. a further 1 month to withdraw your acceptance for each and every extension thereafter, however long the extension may be, provided that the Offer remains subject to unsatisfied Conditions at the time of the extension).

If Mercantile OFM improves the Offer Consideration, all IPE Shareholders who have validly accepted the Offer (whether before or after that improvement is made) will be entitled to the benefit of that improved Offer Consideration.

The effects of acceptance and the rights of withdrawal of the Offer are set out in more detail in Sections 5 and 8 of Appendix A of the Bidder's Statement. You should read those Sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your IPE Shares and the representations and warranties that you are deemed to give to Mercantile OFM by accepting the Offer.

10.7 **Implications for IPE Shareholders if Mercantile OFM acquires less than 90% of IPE Shares**

If Mercantile OFM acquires between 50.01% and 90% of all IPE Shares and the Offer is completed, those IPE Shareholders who do not accept the Offer will become minority shareholders of IPE. This has a number of possible implications, including:

- Mercantile OFM will be in a position to cast the majority of votes at a general meeting of IPE. This will enable it to control the composition of the IPE Board and senior management, and control the strategic direction of the businesses of IPE. Mercantile OFM has indicated in Section 4.5 of the Bidder's Statement that it will seek the appointment of 3 nominees to the IPE Board (as at the date of the Bidder's Statement, Mercantile OFM has not determined who the 3 nominee directors would be) and the retirement of all of the current IPE Directors ; and

- it is possible that, even if Mercantile OFM is not entitled to proceed to Compulsory Acquisition after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6D.2 of the Corporations Act. For example, this may occur as a result of acquisitions by Mercantile OFM of IPE Shares in reliance on the '3% creep' exception in Section 611 (Item 9) of the Corporations Act.

10.8 Compulsory acquisition

Mercantile OFM may compulsorily acquire all remaining IPE Shares (collectively, **Remaining IPE Shares**) in exercise of its right under Part 6A.1 of the Corporations Act if, by the end of the Offer Period, it has acquired a relevant interest in at least 90% of all IPE Shares then on issue. Mercantile OFM has stated in Section 4.4 of the Bidder's Statement that Mercantile OFM intends to, if at the end of the Offer Period, Mercantile OFM and its associates have relevant interests in at least 90% of the IPE Shares, proceed to Compulsory Acquisition of the Remaining IPE Shares.

The Compulsory Acquisition process may be commenced by Mercantile OFM immediately on satisfying the requirements under Part 6A.1 of the Corporations Act or within 1 month after the end of the Offer Period, by lodging the prescribed Compulsory Acquisition Notice with ASIC and sending that notice to ASX and all remaining IPE Shareholders who have not accepted the Offer (**Remaining IPE Shareholders**).

The Remaining IPE Shareholders will be offered the same consideration for their Remaining IPE Shares as the consideration offered to IPE Shareholders for their IPE Shares under the Offer.

However, Remaining IPE Shareholders should be aware that if their Remaining IPE Shares are compulsorily acquired, they are not likely to receive the consideration until at least 1 month after the date of receipt of the Compulsory Acquisition Notice.

Remaining IPE Shareholders have a statutory right to challenge the Compulsory Acquisition. However, if Mercantile OFM establishes to the satisfaction of a court that the consideration being offered for the Remaining IPE Shares represents 'fair value', the court is required by law to approve the Compulsory Acquisition on those terms.

On the other hand, if Mercantile OFM acquires at least 90% of the IPE Shares on issue but does **not** exercise its power to proceed to Compulsory Acquisition, any Remaining IPE Shareholder who wishes to be 'bought out' has a statutory right to require Mercantile OFM to acquire all of the Remaining IPE Shares held by that Remaining IPE Shareholder at the same consideration as offered under the Offer.

Mercantile OFM is required to give written notice to each Remaining IPE Shareholder of its right to be 'bought out' within 1 month after the end of the Offer Period.

11. OTHER MATERIAL INFORMATION

11.1 Early dispatch of takeover documents

The IPE Directors have agreed that Mercantile OFM may send the Bidder's Statement to IPE Shareholders earlier than would otherwise be permitted under the Corporations Act.

11.2 Merger Implementation Agreement

On 6 June 2018, IPE entered into a Merger Implementation Agreement with Mercantile OFM which set out the terms and conditions upon which the parties proposed to implement the Takeover Bid.

A copy of the Merger Implementation Agreement was released by IPE to ASX on 6 June 2018 and can be viewed on the ASX website at www.asx.com.au (ASX Code: IPE).

11.3 Other material information

This Target's Statement is required to include all the information that IPE Shareholders and their professional advisers would reasonably require to make an informed assessment as to whether to accept the Offer, but only:

- to the extent to which it is reasonable for IPE Shareholders and their professional advisers to expect to find such information in this Target's Statement; and
- if such information is known to any IPE Director.

The IPE Directors are of the opinion that the Bidder's Statement and this Target's Statement, together with all announcements and other statements made to IPE Shareholders prior to the date of this Target's Statement, comprise all information that IPE Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer.

The IPE Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless expressly indicated to the contrary in this Target's Statement). In deciding what information should be included in this Target's Statement, the IPE Directors have had regard to:

- the nature of the IPE Shares;
- the matters that IPE Shareholders may reasonably be expected to know; and
- the fact that certain matters may reasonably be expected to be known to the professional advisers of IPE Shareholders.

Except as disclosed in this Target's Statement or previously to the market, there is no other information material to the making of a decision by a IPE Shareholder as to whether or not to accept the Offer within the knowledge of any of the IPE Directors that has not previously been disclosed to IPE Shareholders.

11.4 Consents and disclaimers

Addisons has given its consent to being named in this Target's Statement as legal adviser to IPE in the form and context in which it is named. This consent has not been withdrawn prior to the lodging of this Target's Statement with ASIC.

Titan Partners Corporate Finance Pty Limited has given its consent to being named in this Target's Statement as independent expert in the form and context in which it is named. This consent has not been withdrawn prior to the lodging of this Target's Statement with ASIC.

Link Market Services Limited has given its consent to being named in this Target's Statement as the share registry of IPE in the form and context in which it is named. This consent has not been withdrawn prior to the lodging of this Target's Statement with ASIC.

Each person named in this section as having given its consent to the inclusion of a statement or being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement which a statement in this Target's Statement is based on other than as specified in this section; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and a statement included in the Target's Statement with the consent of that party as specified in this section; and
- has not caused or authorised the issue of this Target's Statement.

11.5 Publicly available information

ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including IPE. In particular, IPE relies on ASIC Class Order 13/521 which permits the Target's Statement to include, or be accompanied by, certain statements which are made, or based on statements made, in documents given to ASX in accordance with the Listing Rules or documents lodged with ASIC. If the conditions set out in that class order are satisfied, the consent of the person to whom a relevant statement is attributed is not required for that statement to be included in this Target's Statement.

This Target's Statement contains statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX (in compliance with the Listing Rules). As required by ASIC Class Order 13/521, any IPE Shareholder who would like to receive a copy of those documents may obtain a copy free of charge during the Offer Period by contacting IPE. The contact details of IPE are set out in the Corporate Directory at the end of this Target's Statement.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Target's Statement may include or be accompanied by certain statements:

- which fairly represent what purports to be a statement by an official person; or
- which are a correct and fair copy of, or extract from, what purports to be a public official document; or
- which are a correct and fair copy of, or extract from, a statement which has already been published in a book, journal or comparable publication.

Pursuant to this ASIC instrument, the consent of such persons to whom statements or documents are attributed is not required for the inclusion of those statements in this Target's Statement.

In addition, as permitted by ASIC Corporations (Consent to Statements) Instrument 2016/72, this Target's Statement contains ASX share price trading information sourced from ASX without its consent.

11.6 Continuous disclosure

IPE is a disclosing entity as defined in the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Copies of documents filed with ASX may be obtained from the ASX website at www.asx.com.au and announcements made by IPE may also be obtained from IPE's website at <http://www.ipelimited.com.au/>.

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

IPE Shareholders may obtain a copy of:

- IPE's annual report;
- IPE's constitution; and
- any document lodged by IPE with ASX,

free of charge by contacting IPE or from the ASX website at www.asx.com.au. The contact details of IPE are set out in the Corporate Directory at the end of this Target's Statement.

Copies of IPE's annual reports and this Target's Statement may be obtained from the Shareholder Information section of IPE's website at <http://www.ipelimited.com.au/>.

11.7 Date of Target's Statement

This Target's Statement is dated 4 July 2018, being the date on which it was lodged with ASIC.

11.8 Approval

This Target's Statement has been approved by a resolution passed by the IPE Directors.

Signed for and on behalf of IPE Limited:



Geoffrey Brunson
Non-Executive Chairman

12. GLOSSARY AND INTERPRETATION

12.1 Definitions

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

Defined Term	Definition
Acceptance Form	the transfer and acceptance form enclosed with the Bidder's Statement that a IPE Shareholder may complete and submit to Mercantile OFM during the Offer Period and otherwise in accordance with the terms and conditions of the Offer, to accept the Offer
Announcement Date	6 June 2018, being the date on which the Takeover Bid was announced by both of MVT and IPE on ASX
ASIC	Australian Securities & Investments Commission
ASIC Relief Condition	has the meaning given to that term in section 10.2 of this Target's Statement
associate	the meaning given in Division 2 of Part 1.2 of the Corporations Act
ASX	ASX Limited ACN 008 624 691 and, where the context requires, the securities market operated by it
ASX Settlement	ASX Settlement Pty Limited ACN 008 504 532
ASX Settlement Operating Rules	the operating rules of the settlement facility provided by ASX Settlement
Bid Period	the "bid period", as that term is defined in Section 9 of the Corporations Act, in respect of the Takeover Bid
Bidder's Statement	the bidder's statement issued by Mercantile OFM for and in connection with the Offer under the Takeover Bid
Business Day	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
CGT	capital gains tax
CHESS	Clearing House Electronic Subregister System, which provides for the electronic transfer of securities in Australia
CHESS Holding	has the meaning set out in the ASX Settlement Operating Rules
Compulsory Acquisition	the compulsory acquisition by Mercantile OFM of all of the ordinary shares on issue in the capital of IPE that it does not already own, pursuant to Part 6A.1 of the Corporations Act
Compulsory Acquisition	a notice given in accordance with Section 661B of the

Defined Term	Definition
Notice	Corporations Act to commence the Compulsory Acquisition process
Conditions	the defeating conditions of the Takeover Bid more particularly set out in Section 7 of Appendix A of the Bidder's Statement
Conditions Status Notice	the notice to be given by Mercantile OFM to IPE pursuant to Section 630 of the Corporations Act
Closing Date	the date on which the Offer Period ends, which is currently scheduled to occur on 10 August 2018 unless extended in accordance with Section 624(2) or 650C of the Corporations Act
control	the meaning given in Section 50AA of the Corporations Act
controlled entity	has the meaning given in the Corporations Act
Controlling Participant	has the meaning set out in the ASX Settlement Operating Rules
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Foreign IPE Shareholder	any IPE Shareholder whose address as shown in IPE's register of members is in a jurisdiction outside Australia and its external territories, to whom it is unlawful for Mercantile OFM to make an Offer or for whom it is unlawful to accept the Offer
Independent Expert	Titan Partners Corporate Finance Pty Limited ACN 101 622 593 (AFSL 427275)
Independent Expert's Report	the report prepared by the Independent Expert attached in the Schedule to this Target's Statement.
IPE	IPE Limited ACN 107 843 381
IPE Board	the board of IPE Directors, as constituted from time to time
IPE Director	a director of IPE as at the date of this Target's Statement
IPE Share	an issued and outstanding ordinary share in the capital of IPE and includes all Rights attaching to it
IPE Shareholder	a holder of one or more IPE Shares
Issuer Sponsor Holding	means a holding of IPE Shares on IPE's Issuer sponsored sub-register
Listing Rules	the listing rules and requirements from time to time of ASX
Minimum Acceptance Condition	has the meaning given to that term in section 10.2 of this Target's Statement
Mercantile OFM	Mercantile OFM Pty Limited ACN 120 221 623

Defined Term	Definition
Mercantile OFM Board	the board of Mercantile OFM Directors, as constituted from time to time
Mercantile OFM Director	a director of Mercantile OFM as at the date of this Target's Statement
Mercantile Group	MVT and each of its subsidiaries
Merger Implementation Agreement	the Merger Implementation Agreement dated 6 June 2018 between Mercantile OFM and IPE in connection with Mercantile OFM's proposal to make the Takeover Bid
MVT	Mercantile Investment Company Ltd ACN 121 415 576
Offer	the offer by Mercantile OFM to acquire all of the IPE Shares on the terms and conditions set out in Appendix A of the Bidder's Statement, as may be varied from time to time in accordance with the Corporations Act
Offer Consideration	A\$0.0775 in cash per IPE Share
Offer Date	the date on which the Offer commences, being 10 July 2018
Offer Period	the period during which the Offer will remain open for acceptance, being the period commencing on the Offer Date (10 July 2018) and ending at 7.00pm (Sydney time) on 10 August 2018, as amended in accordance with Section 2 of Appendix A of the Bidder's Statement
Participant	has the meaning set out in the ASX Settlement Operating Rules
Record Date	5 July 2018, being the time and date prescribed under Section 633(2) of the Corporations Act as the date for determining to whom the Bidder's Statement and this Target's Statement should be sent
related body corporate	the meaning given in Section 50 of the Corporations Act
relevant interest	the meaning given in Sections 608 and 609 of the Corporations Act
Rights	all accretions, rights or benefits of whatever kind attaching to or arising from IPE Shares directly or indirectly after the date of the Bidder's Statement, including, without limitation, all dividends, distributions, and all rights to receive any dividends, distributions, or to receive or subscribe for Securities, stock, shares, notes, bonds, options or other securities, declared, paid or issued by IPE or any of its controlled entities
Security	has the meaning given in Section 92 of the Corporations Act
Share Registry	the share registry of IPE, being Link Mark Services Limited as at the date of this Target's Statement

Defined Term	Definition
subsidiary	the meaning given in Section 46 of the Corporations Act
Superior Proposal	<p>a bona fide Third Party Proposal of the kind referred to in either paragraph a), b) or d) of the definition of Third Party Proposal (and not resulting from a breach by IPE of its obligations under the Merger Implementation Agreement including, without limitation, clause 4) which the IPE Board, acting in good faith, and after taking written advice from its legal and financial advisors, determines is:</p> <ul style="list-style-type: none"> a) reasonably capable of being valued and completed on a timely basis, taking into account all aspects of the Third Party Proposal and the person making it, including without limitation having regard to legal, regulatory and financial matters and any conditions precedents; and b) more favourable to IPE Shareholders than the Takeover Bid, taking into account all terms and conditions of the Third Party Proposal
Takeover Bid	the off-market takeover bid made by Mercantile OFM for all of the IPE Shares, in accordance with the terms and conditions set out in the Bidder's Statement
Target's Statement	this Target's Statement that is issued by IPE in response to the Bidder's Statement and otherwise in accordance with the requirements of the Corporations Act
Third Party	a party other than MVT or Mercantile OFM and any subsidiary of Mercantile OFM or MVT
Third Party Proposal	<p>a transaction or arrangement pursuant to which a Third Party will, if the transaction or arrangement is entered into or completed:</p> <ul style="list-style-type: none"> a) acquire (whether directly or indirectly) or become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in, all or a substantial part of the business of IPE; b) acquire a relevant interest in, become the holder of, or otherwise acquire, have a right to acquire or have an economic interest in 10% or more of the IPE Shares; c) acquire control (as determined in accordance with section 50AA of the Corporations Act) of IPE; d) otherwise acquire or merge with IPE; or e) enter into any agreement, arrangement or understanding requiring IPE to abandon, or otherwise fail to proceed with, the Takeover Bid, and f) whether by way of takeover offer, scheme of arrangement, merger, shareholder approved acquisition, capital reduction or buy back, sale or purchase of shares or other securities or assets, joint venture, dual-listed company structure (or other synthetic merger), or other transaction or arrangement

Defined Term	Definition
voting power	the meaning given to that term in Section 610 of the Corporations Act
VWAP	the volume weighted average price of IPE Shares sold on ASX over the relevant period.

12.2 Interpretation

Unless the contrary intention appears, the following rules apply in interpreting this Target's Statement:

- (a) words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- (b) a reference to a section is a reference to a section of this Target's Statement;
- (c) a reference to legislation, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) the singular includes the plural and vice versa;
- (e) the word "person" includes an individual, a firm, a body corporate, a partnership, a joint venture, an unincorporated body or association, or any government agency;
- (f) a reference to Australian dollars, AUD, \$ or dollars is to the lawful currency of the Commonwealth of Australia; and
- (g) a reference to time is to Sydney time.

CORPORATE DIRECTORY

Directors

Geoffrey Brunsdon – Non-Executive Chairman
Jon Schahinger – Managing Director
Anthony Sims – Non-Executive Director

Registered Office

Level 13, 23 Hunter Street
Sydney NSW 2000
Telephone: +61 (0) 411 404 280
Email: ipe@pafunds.com.au

Company Secretary

Jon Schahinger

Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney NSW 2000

Website

<http://www.ipelimited.com.au/>

Legal Adviser

Addisons
Level 12, 60 Carrington Street
Sydney NSW 2000

SCHEDULE – INDEPENDENT EXPERT’S REPORT



IPE Limited

(ASX: IPE)

ACN 107 843 381

Independent Expert's Report

Report to Shareholders on the Proposed Takeover Offer from
Mercantile OFM Pty Limited for all the issued shares in IPE Limited

Report Issued: 28 June 2018

28 June 2018

Mr Geoffrey Brunsdon
IPE Limited
Level 13
23-25 Hunter Street
Sydney NSW 2000

Dear Sir,

**Titan Partners Corporate
Finance Pty Limited**
Australian Financial Services
Licence Number: 427275
ABN 38 177 095 636
Level 3, 7 Macquarie Place
Sydney NSW 2000
PO Box R415
Royal Exchange NSW 1225
Australia
T +61 2 9268 3300
www.titanpartners.com.au

INDEPENDENT EXPERT'S REPORT – IPE LIMITED

1. Introduction

Titan Partners Corporate Finance Pty Limited ("**Titan Partners Corporate Finance**", "**we**") was appointed by the directors for IPE Limited ("**IPE**", or the "**Company**") as an independent expert, to provide an opinion on whether the proposal by Mercantile OFM Pty Limited ("**Mercantile**", the "**Bidder**") to acquire all the issued ordinary shares in the Company is fair and reasonable.

On 6 June 2018, IPE announced to its shareholders the Company had entered into an Implementation Agreement with Mercantile, where the Bidder proposes to make a conditional, off-market takeover bid for all of the shares in IPE it and its associates do not currently hold, at \$0.0775 per share ("**Proposed Transaction**").

To assist the shareholders of IPE (the "**Shareholders**") in making an informed decision on whether to accept or reject the takeover offer from Mercantile, we have been appointed by the Directors of IPE to prepare an Independent Expert's Report to express an opinion on whether or not the Proposed Transaction is fair and reasonable to Shareholders. While there is no requirement under the Corporations Act 2001 to commission an independent expert for the Proposed Transaction, the Directors have decided that an independent opinion on whether the Proposed Transaction is fair and reasonable will assist those shareholders in understanding the offer from Mercantile and their decision on whether to accept or reject the Proposed Transaction. Our findings are presented in the Independent Expert Report (the "**Report**") herein.

Titan Partners Corporate Finance is independent of IPE and Mercantile, with no interest or involvement in the outcome of the Proposed Transaction, other than the preparation of this Report.

2. Summary of Opinion

2.1 Opinion

We conclude, based on the assessment outlined in the remainder of this Report, that the Proposed Transaction is considered to be fair and reasonable to the Shareholders. The principal factors that we have considered in forming our opinion are summarised below.

2.2 Assessment of Fairness

In determining whether the Proposed Transaction is fair to the Shareholders, we have compared the assessed fair value of a share in IPE on a controlling basis to the value of consideration offered, being cash consideration of 7.75 cents per share. The analysis is set out in Section 8 and summarised below.

IPE Limited Valuation Summary		
\$	Low	High
Value of IPE per share on a Controlling Basis (Primary Methodology)	0.0740	0.0771
Value of IPE shares on a Controlling Basis (Cross-Check)	0.0653	0.0653
Value of Consideration offered for every IPE share	0.0775	0.0775

Source: Titan Partners Corporate Finance Analysis

In accordance with Regulatory Guide 111 Content of expert reports (“RG111”), the above valuation analysis indicates that, in the absence of any other relevant information, the Proposed Transaction is deemed to be fair to Shareholders as the valuation of consideration offered in cash, is more than the value of IPE shares on a controlling basis. Therefore, we must conclude the Proposed Transaction is fair.

2.3 Assessment of Reasonableness

RG111 of the Australian Securities and Investments Commission (“ASIC”) considers an Offer to be reasonable if:

- The Offer is fair; or
- Despite not being fair, but considering other significant factors, shareholders should accept the Offer in the absence of any higher bid before the close of the Offer.

We have considered the analysis in Section 8 of this Report, in terms of advantages and disadvantages of the Proposed Transaction. In forming our opinion we have also considered the following relevant qualitative factors:

Advantages	Disadvantages
<ul style="list-style-type: none"> • Certainty in realisation of the underlying value of a shareholding in IPE as cash consideration. • No brokerage costs payable by Shareholders to realise current IPE investment into cash (except where costs are incurred by Shareholders whom instruct their Controlling Participant to accept the Offer from Mercantile on their behalf). • Certainty of exit timing under Proposed Transaction, compared to a potentially protracted and uncertain wind down and realisation process for exiting the remaining investments. • Majority acceptance condition is set at 50.1% of issued shares, being a simple majority of current shareholdings and therefore not an onerous acceptance criteria for existing IPE shareholders to realise their interest in the Company into cash. • Termination of the Management Agreement between IPE with the current managers, Pomona Australia Pty Limited has been negotiated by the IPE Directors at an amount lower than the Directors’ estimate of the present value of the amount payable. • No alternative offers received. 	<ul style="list-style-type: none"> • Inability to realise future returns from fund investments, due to the loss of exposure to the specific mix of sectors and geographies in which the respective businesses of each fund currently operate. However, Shareholders may reinvest the proceeds from the Proposed Transaction into similar investments. • Taxation implications may arise for individual IPE Shareholders from acceptance of the Proposed Transaction. Shareholders should seek independent taxation advice if required. • Deterrence of alternative offers from other parties.

In our opinion, as the Proposed Transaction being assessed as fair, it is also reasonable. Our assessment of the above advantages and disadvantages supports our opinion that the Proposed Transaction is reasonable to IPE Shareholders.

2.4 Other Factors

The above summary of our opinion and conclusion should be read in conjunction with the remainder of this Report and Appendices as attached herein.

Titan Partners Corporate Finance has prepared a Financial Services Guide as required by Corporations Act 2001 and is attached at Appendix 1. This Report is for general financial advice only and was prepared without taking into account the objectives and circumstances of individual Shareholders of the Company. Our Report herein should be read in conjunction with the Target’s Statement which it accompanies.

Unless the context requires otherwise, references to “we”, “our” and similar terms refer to Titan Partners Corporate Finance.

Yours faithfully

Titan Partners Corporate Finance Pty Limited

A handwritten signature in black ink, appearing to read 'B. Higgs', with a long horizontal flourish extending to the left.

BRAD HIGGS
Director

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3. Scope of Report

3.1 Purpose of the Report

The purpose of this Report is to assist and advise the Shareholders on whether the Proposed Transaction is fair and reasonable to the Shareholders.

Titan Partners Corporate Finance has been engaged by the directors of IPE to prepare an Independent Expert's Report with respect to the Proposed Transaction for this purpose.

There is no statutory requirement for the Directors of IPE to commission an Independent Expert's Report in relation to the Proposed Transaction from Mercantile. However, the Directors of IPE have requested that Titan Partners Corporate Finance act as Independent Expert to opine on whether the Proposed Transaction is fair and reasonable to existing IPE shareholders to ensure those shareholders are provided with full and proper disclosure.

This Report has been prepared to assist Shareholders to consider, if appropriate, whether to accept or reject the Proposed Transaction as proposed by Mercantile and summarised at Section 4 below. The Report herein sets out our approach, analysis and opinion as to whether the Proposed Transaction is fair and reasonable to IPE shareholders.

Our Report is to be included in the Target's Statement to be issued to Shareholders and has been prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction.

3.2 Basis of Assessment

In preparing the Report herein, we consider RG111 dated March 2011 which sets out requirements of expert reports.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness". We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

RG111 indicates the principles and matters which it expects an expert person preparing an independent expert report to consider, including:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the consideration offered is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison;
- an offer is 'reasonable' if it is 'fair'; and
- an offer might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

In accordance with the requirements of RG111, we have compared the fair value of a share in IPE on a controlling basis to the value of consideration offered (in cash).

3.3 Sources of Information

In forming our opinion on the Proposed Transaction and preparing the Report herein, we have considered, adopted and relied upon certain information prepared by the management of IPE, and external parties. Refer to Appendix 4 for a list of our sources of information.

3.4 Limitations and Reliance on Information

Our opinions are based on economic, financial, operational and other conditions and expectations prevailing at the date of this Report. These conditions can change significantly over relatively short periods of time and, if such material change occurs, the opinions expressed in this Report could differ.

Titan Partners Corporate Finance has no obligation to, nor does it undertake to, advise any person of any change in circumstances that has come to its attention after the date of this Report or to review, revise or update this Report or the opinions contained herein.

We have evaluated the information set out in Section 3.3 through analysis, enquiry and review, as appropriate for the purposes of preparing this Report and forming our opinion on the Proposed Transaction. Titan Partners Corporate Finance do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

We have relied on certain representations and relevant information provided by the directors of IPE. This information was evaluated through analysis, enquiry and review. However, such information is often not capable of external verification or validation and has therefore not been independently verified.

To the extent that there are any legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Titan Partners Corporate Finance:

- assumes no responsibility and offers no legal opinion or interpretation on any issue; and
- has generally assumed that matters such as title, compliance with laws and regulations and contracts in place are in good standing and will remain so.

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4. Summary of Proposed Transaction

4.1 Background

On 6 June 2018, IPE announced to the Australian Securities Exchange Limited (“**ASX**”) that Mercantile intends to make an off-market takeover bid for all of the IPE shares it does not currently hold.

The consideration for the Proposed Transaction is \$0.0775 for each IPE shares in an all cash off-market bid (“**Offer Price**”, “**the Consideration**”).

An Implementation Agreement (“**IA**”) setting out the framework for the Proposed Transaction has been entered into between IPE and Mercantile.

The Proposed Transaction will be subject to number of conditions as announced by IPE, including:

- Mercantile and its associates achieving a relevant interest in more than 50.1% (by number) of the shares of IPE on issue before the end of the offer period;
- During the offer period, no regulatory action occurs which materially adversely affects the making of the offer;
- No prescribed occurrences¹;
- Between the announcement date and the end of the offer period, IPE does not announce, declare or pay any distributions;
- At any time until the end of offer period, IPE’s net tangible asset value does not decrease by 10% or more than the value set out in the last monthly Net Tangible Asset (“**NTA**”) backing announcement released to the ASX on 10 May 2018;
- No breach of representations or warranties;
- Termination of the current management agreement between Pomona Australia Pty Limited and IPE².

4.2 Management Agreement

IPE has no employees as the functions of the Company are performed by the investment manager, Pomona Australia Pty Limited (“**Pomona**”, the “**Manager**”), under the terms of a management agreement (the “**Management Agreement**”). Pomona is an entity controlled by Mr Jon Schahinger (“**Mr Schahinger**”), a director of IPE. IPE has appointed Pomona as the Manager of the Company with effect from 1 July 2011, when ING Group sold its private equity fund business to Pomona Capital, the United States-based parent of Pomona. We are advised that Mr Schahinger subsequently acquired Pomona upon a divestment of the Australian operations by its former parent.

The Company has appointed the Manager to:

- invest and manage the Company’s portfolio in accordance with the terms of the Management Agreement; and
- perform various administration services, specifically:
 - preparing financial statements required to be issued by the Company;
 - assisting the Company to carry out company secretarial functions, including arranging meetings of shareholders of the Company and liaising with the Company’s share registry;
 - assistance in preparing communications to shareholders of the Company;
 - assistance in preparing income tax returns and maintaining tax related records for the Company; and
 - arranging the establishment and maintenance of a website for the Company.

¹ We note the “Prescribed Occurrences” are not defined in the ASX announcement by IPE dated 06 June 2018, which set outs the key terms of the Proposed Transaction and attaches a draft Implementation Agreement, however are defined in Section 652C of the Corporations Act 2001.

² While the announcement notes that the Offer is conditional upon the termination of the Management Agreement, it is not a formal condition of the Offer (it has been dealt with separately under the Termination Deed). The formal conditions of the Offer are set out in Schedule 1 of the Merger Implementation Agreement, which is annexed to the announcement.

In consideration of the services provided under the Management Agreement, the Manager is entitled to a Management Fee, calculated on the last business day of each month (being a fee of 0.85% per annum of the value of the Portfolio), and paid no less frequently than quarterly. An additional performance fee may also be payable for outperformance of the net tangible asset value of the funds, calculated annually as at 30 November for the previous 3 year period.

Management fees paid or accrued during the FY2017 were \$197,282 (2016: \$357,475), while performance fees paid during FY2017 were \$289,949 (2016: \$Nil).

Mr Schahinger is a related party of IPE, as he is the ultimate owner and director of Pomona, which results in him having control or significant influence over the financial or operating policies of Pomona.

As part of the Proposed Transaction and a condition agreed with Mercantile, the Management Agreement between IPE and Pomona will be terminated upon the takeover bid becoming unconditional and Mercantile and its associates achieving a relevant interest in 50.1% of the issued shares in IPE. The termination fee payable by IPE to Pomona is \$400,000 exclusive GST. The termination fee is further reviewed in Section 7.5.

4.3 Mercantile

Mercantile is a subsidiary of the Mercantile Investment Company Limited, a Sydney-based investment company listed on the ASX under the code 'MVT' (hereafter "**MVT**"). It was formerly known as India Equities Fund Limited.

The primary activities of MVT are investment in cash and securities, both listed and private, which provide risk adjusted returns including by way of short term trading, profit making ventures and holding shares for dividend yield/long term capital appreciation. The company operates through the securities and consumer finance segments within the securities industry, where it derives revenue from trust distributions, dividend income, interest income and proceeds from the sale of its investments.

As at 6 June 2018, being the date the Proposed Transaction was jointly announced by the Bidder and the Company to the ASX, MVT was the second largest shareholder of IPE, holding 22.52% of the total issued shares of IPE, through its custodian entity One Managed Investment Funds Limited.

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5. Profile of IPE

5.1 Background

Overview

Established in 2004, IPE is an investment company listed on ASX, with a focus on investing in funds managed by experienced Australian and New Zealand private equity firms that utilised various strategies to fund the growth and development of unlisted businesses. The Company was originally founded as “ING Private Equity Access Limited”, a division of the Australian operations of ING Groep N.V., an Amsterdam, Netherlands-based global banking and financial services group (hereafter “ING Group”). As a consequence of changes within the ING Group and divestment of involvement in IPE, the Company's shareholders approved the new name of IPE Limited at its annual general meeting held on 31 October 2013. Since listing, the Company has traded under the ASX code “IPE”.

IPE was established to provide retail investors access to the growing private equity market, through a listed investment company structure. The Company’s charter was to invest in a range of private equity funds managed by reputable private equity firms in order to provide diversity of business life cycle, investment structures and industries within its investment portfolio.

Market conditions changed dramatically around 2008 to 2009, and in June 2009 the Company announced that it would not be making new private equity fund investments and would wind down its investment portfolio over time, forming a view that the revised strategy would maximise value for investors.³

The management and administrative functions are performed by Pomona, a company controlled by Mr Schahinger, as previously highlighted in Section 4.2.

Current Portfolio

The Company’s private equity fund portfolio is now down to seven funds which combined only hold ten underlying private equity investments as of June 2018. Two of the funds (Wolseley I and II) have no investments and had been wound-up by June 2018. Pacific Equity Partners IV and Quadrant 1 both have only one investment remaining. Pacific Equity Partners III had been wound-up by 31 December 2017. Presented below is a portfolio summary of IPE as at 31 December 2017.

IPE Limited				
Portfolio Summary 31 December 2017				
\$'m	Size of Fund	Committed Funds	Capital Drawn	Portfolio Business(es)
Archer Capital Fund 4	1,312.4	9.7	9	Craveable Brands, V8 Supercars
CM Capital Venture Trust No 4	153.5	8.0	8	Osprey Medical, Piedmont Pharmaceuticals, SpeedX, ThreatMetrix
NBC Private Equity Fund III	101.2	10.0	10	Didasko Learning Resources, Degani Australia, Layby Services Australia, Statseeker
Pacific Equity Partners IV	2,965.0	7.3	7	American Stock Transfer
Quadrant Private Equity Fund No.1	265.0	8.0	8	Seniors Money International
Wolseley Partners Fund I	107.4	8.0	8	} had been wound up by June 2018
Wolseley Partners Fund II	235.0	10.0	10	
Total	5,139.5	61.0	60.0	

Source: Half Year Report to 31 December 2017

³ Source: IPE website – <http://www.ipelimited.com.au/>

Summarised below are the fund managers for the respective private equity investments held by IPE.

IPE Limited	
Private Equity Funds and Fund Managers	
Manager	Description
Archer Capital	A Sydney-based private equity investment house with a presence in the Australian buy-out market. It invests in leveraged buy-outs, seeking companies with strong market positions and/or growth potential, leading to strong, stable cash flows.
NBC Capital	A Brisbane-based manager, NBC Capital focuses on small to medium sized management buy-outs and expansion capital opportunities across a range of industries. NBC Capital manages the NBC Private Equity Fund III held by IPE.
Pacific Equity Partners	Established in 1998, Pacific Equity Partners (“PEP”) is recognised as Australia’s largest private equity firm, having closed its fifth fund with commitments in excess of \$2 billion. PEP invests in large management buy-out opportunities in both Australia and New Zealand. PEP manages the Pacific Equity Partners Funds IV held by IPE.
Quadrant Private Equity	Based in Sydney, Quadrant has a focus on medium sized management buy-outs and expansion capital opportunities in Australia and New Zealand. Quadrant Private Equity manages the Quadrant Private Equity No. 1 fund held by IPE.
Talu Ventures	Established by a number of executives of CM Capital as part of a succession transition, Talu Ventures remains a Brisbane-based specialist venture capital manager. The CM Capital fund has invested in early stage companies in the life sciences, information technology and telecommunications sectors. Talu Ventures manages the CM Capital Venture Trust No 4 held by IPE.
Wolseley Partners	Established in 1999, Wolseley Partners is a consulting and advisory services firm, which established its first private equity fund in 2005. The firm focuses on controlling interests in unlisted mid-size companies in the manufacturing distribution and services industries. There are no residual interests remaining in the two funds (Wolseley Partners Fund I and Wolseley Partners Fund II) held by IPE as these had been wound-up by June 2018.

Source: IPE Annual Reports, Manager Websites

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5.2 Ownership Structure

The following table sets out the shareholding structure of IPE as at 19 June 2018:

IPE Limited Current Ownership Structure		
Name	Shares	%
Major Shareholders		
Stafford Fund Nominees Pty Ltd	34,369,189	25.34
One Managed Investment Funds Ltd	30,545,989	22.52
Bnp Paribas Noms Pty Ltd	3,646,747	2.69
Lic Investments Pty Ltd	3,500,000	2.58
31 May Pty Ltd	1,640,418	1.21
National Nominees Limited	1,299,718	0.96
Jesena Pty Ltd	1,183,242	0.87
Afternoon Light Pty Ltd	1,028,160	0.76
Eureka Benevolent Foundation Ltd	1,020,000	0.75
Mr Thomas Watson Miller	1,005,000	0.74
TVJ Pty Ltd	1,001,430	0.74
Mr David Ian Stern	1,000,000	0.74
Pisac Pty Ltd	900,000	0.66
Mr Richard Philip Wilkings	900,000	0.66
Megan Pty Ltd	826,700	0.61
Mrs Mary Evelyn Abbott	750,000	0.55
Meroma Pty Limited	640,000	0.47
Abbawood Nominees Pty Ltd	600,000	0.44
Mr Nick Masi	600,000	0.44
Oblique Pty Limited	600,000	0.44
Mr Willem Bartus Josef Slot & Mrs Hanna Slot	559,355	0.41
Mr Paul Robert Reen & Miss Kristina Lesley Reen	500,367	0.37
Lortnton Developments Pty Ltd	500,000	0.37
Mr Garry Peter Dalrymple	500,000	0.37
Top 20 Shareholders	89,116,315	65.70
Total Shares Issued	135,642,099	100.00

Source: Share Register as at 19 June 2018

The largest holder of IPE currently controls approximately one-quarter of the issued ordinary shares of the Company, and is a controlled entity of Stafford Capital Partners, a private markets investment and advisory group.

We are advised that the second largest shareholder, One Managed Investment Funds Ltd, is a custodian entity of the Bidder.

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5.3 Market Announcements

The following table sets out the recent announcements released by IPE to the ASX. In addition to the announcement of the Proposed Transaction on 6 June 2018 and release of periodic financial reports (half year and full year), the Company also reports its Net Tangible Asset Backing on a monthly basis based on information supplied by the respective fund managers.

IPE Limited Recent Company Announcements	
Announcement Date	Title
13/06/2018	Net Tangible Asset Backing
13/06/2018	Company Secretary Appointment/Resignation
06/06/2018	MVT: Merger Implementation Agree- Recommended Takeover of IPE
06/06/2018	IPE: Directors' Statement re Takeover
10/05/2018	Net Tangible Asset Backing
10/04/2018	Net Tangible Asset Backing
09/03/2018	Change in substantial holding for IPE
09/03/2018	Net Tangible Asset Backing
07/03/2018	Change in substantial holding for IPE
07/03/2018	Ceasing to be a substantial holder
05/03/2018	Change in substantial holding
01/03/2018	Dividend Details
01/03/2018	Dividend/Distribution - IPE
01/03/2018	Return of Capital - IPE
16/02/2018	Half Yearly Report to Investors
16/02/2018	Half Yearly Report and Accounts
09/02/2018	Net Tangible Asset Backing
30/01/2018	Asset realisation and possible impact on Net Tangible Assets
12/01/2018	Net Tangible Asset Backing

Source: Australian Securities Exchange

5.4 Industry Overview

IPE operates in the Financial Asset Investing industry in Australia⁴. The industry consists of a range of investment vehicles, but industry operators principally pool together investor funds and invest them on their own account. The majority of companies in the industry do not provide funds management services for a fee and instead, benefit from capital gains and bear the losses. The companies predominantly invest in various financial assets, including ASX listed companies, bonds and others. In comparison, IPE invests in private equity funds and charges management fees based on net asset value of the funds. However, we believe the core business model of IPE is similar to the companies in Financial Asset Investing industry, therefore we further highlight the key observations on this industry below.

Industry Customers

The industry's major markets are made up of the various investors holding funds with the different investment vehicles in the industry. These investors include financial corporations, foreign investors, pension funds and households. Institutional investors represent an overwhelming majority of funds held in industry products.

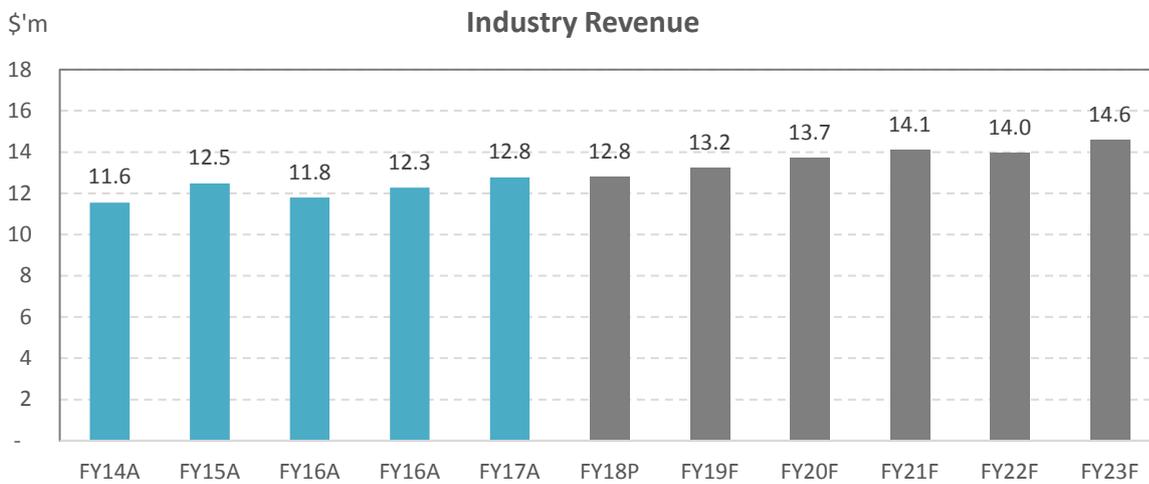
⁴ IBISWorld industry report K6240 Financial Asset Investing in Australia Industry

Demand for Industry Services

Demand for industry services is driven by the volume of household savings, which is affected by economic activity, growth in real wages, and consumer sentiment. Household savings (the residual of disposable income after consumption expenditure) are negatively affected by consumption and investments in non-financial assets. Tax treatment of gains and income generated on industry products also influences demand for various investment vehicles and their substitutes.

Historical and Forecast Performance of the Industry

Despite the lingering effects of the global financial crisis, a strong domestic sharemarket performance over the past five years has supported growth in the Financial Asset Investing industry. Because most industry funds are invested in equities, industry revenue depends on the performance of global share markets. Due to a strong domestic share market performance and a significant flow of funds from foreign investors for Australian investment vehicles, IBISWorld projects industry revenue is expected to grow at an annualised 4.0% over the five years through FY2018, to reach \$12.8 billion, with revenue expected to increase by 4.2% in the current year as more funds from overseas investors boost the value of industry assets.



The industry’s operating environment is anticipated to become less volatile over the next five years. Rising household discretionary incomes, combined with a projected recovery in consumer sentiment, are anticipated to lead to a greater inflow of funds, contributing to industry asset growth. These factors are likely to fuel industry revenue growth. Projected by IBISWorld, industry revenue is forecast to rise at an annualised 2.7% over the five years to FY2023, to reach \$14.6 billion.

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5.5 Historical Financial Performance

The financial performance of IPE for the three most recent financial years being FY2015, FY2016 and FY2017 are summarised in the table below.

IPE Limited Historic Operating Results							
\$'000s	Notes	FY2015		FY2016		FY2017	
		Actual	%	Actual	%	Actual	%
Revenue							
Dividends and Distributions Received		9,297	100.0%	5,485	83.5%	5,981	100.0%
Increase in Value of Investments		-	-	1,086	16.5%	-	-
Total Revenue	1	9,297	100.0%	6,571	100.0%	5,981	100.0%
Expenses							
Decrease in Value of Investments	1	(5,859)	(63.0%)	-	-	(5,699)	(95.3%)
Management Fees	2	(425)	(4.6%)	(357)	(5.4%)	(197)	(3.3%)
Performance Fees	3	-	-	-	-	(297)	(5.0%)
Directors' Fees		(95)	(1.0%)	(70)	(1.1%)	(70)	(1.2%)
Other expenses	4	(307)	(3.3%)	(1,084)	(16.5%)	(655)	(11.0%)
Total Expenses		(6,686)	(71.9%)	(1,511)	(23.0%)	(6,918)	(115.7%)
Finance Income		151	1.6%	118	1.8%	41	0.7%
Finance Costs		(33)	(0.4%)	-	-	-	-
(Loss)/Profit before income tax		2,729	29.4%	5,178	78.8%	(896)	(15.0%)
Income Tax Expenses		(732)	(7.9%)	(3,130)	(47.6%)	(136)	(2.3%)
(Loss)/Profit after income tax		1,997	21.5%	2,048	31.2%	(1,032)	(17.3%)

Source: Historical Financial Statements

We note the following with respect to the historical financial performance of IPE:

1. Revenue comprises proceeds from sales of the portfolio investments and revaluation of the portfolio through profit and loss statement. In FY2015 and FY2017, IPE revalued the portfolio in accordance with reports from respective fund managers, where it recognised losses of \$5.859 million and \$5.699 million respectively.
2. IPE does not have employees, therefore IPE pays Management Fees to Pomona for the management services. This fee is calculated on a monthly basis, being a fee of 0.85% per annum of the value of the portfolio plus cash.
3. IPE paid Performance Fees of \$297,000 to Pomona in FY2017, being a bonus for over performance of the IPE's portfolio compared to benchmarks as defined in the Management Agreement, and calculated on a tri-annual basis ending on 30 November each year. The Directors advised the payment was the first Performance Fee earned by the Manager since inception of IPE.
4. Other expenses comprise audit fees, fees paid to Direct Capital Partners, registry fees and sundry expenses. The Company's interest in Direct Capital Partners III was via a structure that was different to other funds in the portfolio. As a consequence, the Company brought to account fees and expenses associated with Direct Capital Partners III investment. In other portfolio funds, such costs are paid out of those funds and are not directly recorded in the Company's accounts.

5.6 Historical Private Equity Portfolio Review

The key financial performance indicators of IPE private equity portfolio are summarised in the table below:

IPE Limited					
Historical Private Equity Portfolio Analysis					
\$'m	Committed	Capital to be Drawn	Cash Back [C]		
	[A]	[B]	Jun'16	Jun'17	Dec'17
Archer Capital Fund 4	9.7	0.6	14.1	14.1	14.5
CM Capital Venture Trust No 4	8.0	0.2	0.6	0.6	0.7
NBC Private Equity Fund III	10.0	-	4.1	4.2	4.2
Pacific Equity Partners IV	7.3	0.1	9.9	9.9	9.9
Quadrant Private Equity Fund No.1	8.0	-	9.8	9.8	9.8
Wolseley Partners Fund I	8.0	-	2.4	3.8	3.8
Wolseley Partners Fund II	10.0	-	5.8	13.8	13.8
Total	61.0	0.8	47.6	56.2	56.7

Source: Historical Financial Statements, ASX Announcements, IPE management

Notes:

- Committed capital includes total investments committed by IPE as of June 2017.
- Capital to be drawn includes total outstanding capital which can be drawn by fund managers as of June 2017.
- Cash back are total proceeds, being dividends and proceeds from sales of investments, from funds as of June 2016, June 2017 and December 2017. We note Pacific Equity Partners III had been wound-up before December 2017, therefore was excluded from cash back balance as of December 2017.

We note the following with respect to the historical financial performance of IPE:

- The IPE's private equity portfolio include seven funds with ten underlying investments as of June 2018. The total number of underlying investments as of June 2017 were 15 investments, compared to 28 investments as of June 2016.
- Wolseley Partners I and II have no investments, and had gone through the process of the final wind down of the fund and distributed final proceeds to the fund investors.
- Over the period from June 2017 to December 2017, cash inflows of \$660,000 were mainly received from Archer Capital Fund 4 as a recapitalisation of its investments in Craveable Brands and a smaller amount from CM Capital Ventures Trust No4 following its sale of Datacastle.
- IPE Directors advised that with the current wind down strategy of the Company, the portfolio is no longer exposed to the benefit of diversification. In addition, if any of the major investments decrease significantly in value which is not offset by a corresponding increase in other investments, there could be a material diminution in the fund's net tangible assets.

Presented in the schedule below are 10 largest private equity investments of IPE as at 31 December 2017, including the relative percentage of the value of the Company’s private equity asset represented by each.

IPE Limited			
10 Largest Private Equity Investments			
Fund	Date Invested	Company	Percentage
CM Capital Venture Trust No 4	Feb-18	ThreatMetrix	22.0%
CM Capital Venture Trust No 4	Oct-07	Piedmont Pharmaceuticals	18.5%
NBC Private Equity Fund III	Oct-13	Didasko Learning	13.8%
NBC Private Equity Fund III	Dec-12	Degani Australia	11.3%
Archer Capital Fund 4	Jun-11	Craveable Brands	8.6%
CM Capital Venture Trust No 4	Jun-07	Osprey Medical	6.0%
Quadrant Private Equity Fund No.1	Mar-06	Seniors Money	5.2%
Pacific Equity Partners IV	Jun-08	American Stock Transfer	5.2%
CM Capital Venture Trust No 4	Jun-09	SpeedX	3.4%
NBC Private Equity Fund III	Aug-13	Statseeker	3.3%
			97.3%

Source: ASX Announcements, IPE management

In six months period to June 2018, IPE announced to ASX that CM Capital Venture Trust No 4 sold its investments in ThreatMetrix at a value which is substantially higher than reported value of the assets. There were no other significant transactions in any of the fund investments since the half year report to 31 December 2017 nor in market announcements to 22 June 2017.

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5.7 Financial Position

The financial position of IPE as at 30 June 2016 and 30 June 2017 is summarised below.

IPE Limited				
Historic Reported Balance Sheet				
\$'000s	Notes	30/06/2016	30/06/2017	
		Actual	Actual	
Current Assets				
Cash		1,035	1,353	
Receivables		15	14	
Prepayments		9	9	
Tax Assets		-	28	
Total Current Assets		1,059	1,404	
Non-Current Assets				
Unlisted Private Equity Investments	1	28,898	13,135	
Deferred Tax Assets	2	23	-	
Total Non-Current Assets		28,921	13,135	
Total Assets		29,980	14,539	
Current Liabilities				
Payables		108	98	
Tax Liabilities		968	-	
Total Current Liabilities		1,076	98	
Non-Current Liabilities				
Deferred Tax Liabilities		1	1	
Total Non-Current Liabilities		1	1	
Total Liabilities		1,077	99	
Net Assets		28,903	14,440	

Source: Historical Financial Statements

We note the following with respect to the financial position of IPE and key material balance sheet items:

1. We were advised that the Company have not invested into any new private equity fund investments since 2009. The Company is in the process of winding down its activity which is consistent with the decrease in value of Unlisted Private Equity Investments from \$28.898 million in FY2016 to \$13.135 million in FY2017. The carrying value of investments are adjusted to market value at each reporting period, including half-year reports, in accordance with prevailing Australian accounting standards.
2. The deferred tax asset balance is nil in FY2017, compared to \$23,000 in FY2016. In the prior period, this balance was due to future tax benefits to the Company upon payment of the accrued expenses which had been incurred at balance date. The Board of IPE had reduced the deferred tax asset to nil because of the uncertainty about the extent of the possible net uplift potential in the portfolio over the residual life of the Company, timing of future realisation and subsequent termination of the funds in the portfolio.

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6. Valuation Methodology

6.1 Overview

The best determinant of value is the price at which a business or a comparable business has been bought or sold in an arm's length transaction. In its absence, estimates of value are made using methodologies that infer value from other available evidence. These methodologies are discussed below.

6.2 Asset Based Methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- **Net assets & net tangible assets** : Net assets method is based on the value of the assets of the business less certain liabilities, at book values, adjusted to market value, while the Net Tangible Assets (NTA) of the business is a similar calculation but with an additional adjustment to exclude intangible assets from the calculation;
- **Orderly realisation of assets** : Orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders assuming the company is wound up in an orderly manner realising a reasonable market value for assets; and
- **Liquidation of assets** : Liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter period, under a "distressed seller" scenario.

These approaches ignore the possibility that a company's value could exceed the realisable value of its assets. Asset based methods are appropriate when companies are not profitable (and are not expected to be profitable in the short to medium term), not actively trading or a significant proportion of a company's assets are liquid, or the business achieves lower profits than typical returns required by equity holders.

6.3 Market Based Methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- **Analysis of a company's recent share trading history** : Most recent share trading history provides strong evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market;
- **Capitalisation of maintainable earnings** : Capitalisation of maintainable earnings method estimates fair market value by multiplying the company's future maintainable earnings by an appropriate capitalisation multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable and comparable companies have similar cost structures; and
- **Industry specific methods** : Industry specific methods estimate market value using industry benchmarks. These methods generally provide less persuasive evidence on the market value of a company, as they may not account for company specific factors. Industry specific methods are only used as a cross check to the primary valuation methodology.

6.4 Discounted Cash Flow Method

The discounted cash flow method estimates market value by discounting a company's future cash flows to their present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence for a period of at least 5 years. The discounted cash flow method is commonly used to value early stage companies; projects with a finite life; or businesses with comprehensive and reliable cash flow forecasts.

6.5 Selection of Methodologies

Our selection of the valuation methodology is guided by RG111 and specifically RG111.64 which states that “an expert should use its skill and judgment to select the most appropriate methodology in its report. The expert must have a reasonable (or tenable) basis for choosing the valuation methodology”. Further, RG111.65 states that “an expert should, when possible, use more than one valuation methodology”.

In selecting our valuation methodology to value IPE, we have considered:

- existing trading operations of IPE;
- existing operations of the private equity fund investments currently held by IPE;
- the historical results and current performance levels including revenue and earnings;
- actual performance for the six-months to 31 December 2017;
- unaudited net tangible asset backing of IPE on a monthly basis for the current financial year, up to and including as at 31 May 2018 as announced to the ASX on 12 June 2018;
- representations by management in terms of the current and future trading performance of the underlying assets held by IPE, and strategic direction of the Company;
- our understanding of the competitive position of the Company in the industry;
- access to publicly available valuation benchmarks, comparable company information and comparable company transactions; and
- Share price and volumes traded for IPE shares.

As a publicly listed security on the ASX, one available methodology is a market-based valuation using the recent share price trading history of quoted shares.⁵ We have considered this methodology as appropriate for determining the market value of the shares in IPE. In our view, a liquid stock would typically be characterised by having 25%-50% of its total number of shares being traded over the course of a year, or about 0.5%-1.0% per week. As set out further in Section 7.2, we consider there is sufficient liquidity in the recent share trading history of IPE to meet these guidelines of an active market.

As such, we consider the quoted market price of IPE shares to be a reliable indicator of their value. However, levels of liquidity are lower than what we would like to observe in larger company with a broader shareholder base, so we consider it prudent to examine a secondary methodology in conjunction with the value ascertained under this methodology. Therefore, we have then adopted a secondary methodology to the primary valuation methodology, namely a review of the Net Tangible Assets.

While the capitalisation of future maintainable earnings methodology is a commonly utilised methodology, we do not consider the application of this methodology as appropriate due to:

- IPE currently holds investments in seven private equity funds, which have commenced the process of exiting their respective business investments and to return proceeds to investors such as IPE;
- IPE has previously announced the intention of the Board to wind down the Business, however is uncertain as to the precise period of time it would continue to trade as a listed investment vehicle;
- There is not a consistent level of earnings from which maintainable earnings could be determined.

We consider that the use of a discounted cash flow methodology is not appropriate due to the lack of available forecast cash flows, and the inherent uncertainty with respect to the exit process IPE will undertake for its remaining private equity fund investments. Further, due to this inherent uncertainty around the future operations, any forecasts beyond FY2018 would be subject to a number of uncertain or variable assumptions and thus have limited reliability as an indicator of maintainable earnings.

⁵ RG 111.69 states that an expert should consider “the quoted price for listed securities, where there is a liquid and active market”.

7. Value of IPE

7.1 Valuation Summary

We have determined the market value of an ordinary share in IPE on a controlling interest basis to be in the range of \$0.0740 and \$0.0771. In determining this range of value, we specifically relied upon the results of two methodologies, as summarised below.

IPE Limited Equity Value Summary (\$'s)		
	Low	High
Market-Based Valuation – Recent Share Price		
Value per Share on a Controlling Basis	0.0740	0.0771
Asset-Based Valuation		
Net Asset Value per Share on a Controlling Basis	0.0653	0.0653

Source: Titan Partners Corporate Finance Analysis

The remainder of this section set outs our assessment of the above values for IPE shares.

7.2 Market-Based Valuation – Recent Share Price

The market value of a company's shares as quoted on public exchange such as the ASX is reflective of a minority interest. Typically a minority interest does not have significant enough control for the holder to have an individual influence in the operations and value of that company. RG111.11 states that when considering the value of a company's shares for the purposes of a takeover bid, the expert should assume 100% ownership of the target and it is inappropriate to apply a discount for a minority or portfolio parcel of shares. Accordingly, a premium for control is expected to be paid by the purchaser of those shares due to advantages they will receive should they obtain control of another company. These advantages can include:

- Control over operational decision making and the strategic direction of the company;
- Ability to deal with the company assets as the purchaser sees fit;
- Access to underlying cash flows through control over dividend policies; and
- Access to potential tax losses.

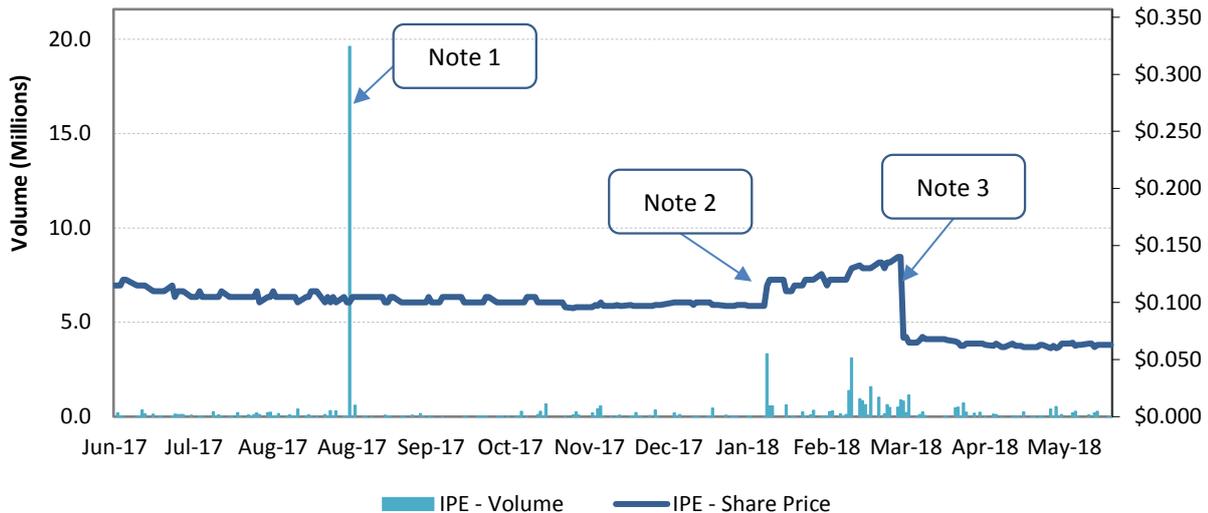
Based on the requirements of RG111, we have calculated the quoted market price of an IPE share including a premium for control in two parts. Firstly, we calculated the quoted market price on a minority interest basis based on the ASX quoted share price, then added a premium for control to calculate the market price value on a controlling basis or one that includes a premium for control.

Quoted Share Price – Minority Interest Basis

The determination of a quoted market price of a listed share is typically based on the pricing prior to the announcement of a transaction. The ASX announcement of the Proposed Transaction was filed and released on 6 June 2018, hence our analysis is as at 5 June 2018, being the day before the announcement.

To determine whether recent share price is an appropriate methodology to value IPE shares, we analysed the recent share trading and specifically the liquidity in respect of the trading in those shares. Set out below is the trading performance of IPE shares for the twelve months to 5 June 2018. IPE shares are frequently traded on the ASX, with trades being recorded on 196 days during the period.

The following chart summarises the share price movements and volume traded over the year to 5 June 2018.



The daily price of IPE shares over the past 12 months has ranged from a low of \$0.06 in May 2018 to a high of \$0.14 in March 2018. During this period a number of announcements were made to the market as well as distributions to Shareholders. The key announcements can be observed in Section 5.3. We summarised key announcements below:

1. On 31 August 2017 it was announced to ASX that Mercantile, through its custodian entity One Managed Investment Funds Limited, has become a substantial shareholder of IPE by means of acquiring 19,461,332 of outstanding shares of IPE and accumulating total shareholding in IPE to 26,509,637 as of 30 August 2017.
2. On 30 January 2018 IPE made an announcement to ASX that CM Capital Venture Trust No 4 fund has signed an agreement for the sale of all the equity in ThreatMetrix to the British company Relx. ThreatMetrix is one of the largest underlying exposures in the IPE’s portfolio and the value implied in the sale is significantly above its recent carrying value. IPE expected the impact on the value of NTA of the Company to be material. With all other elements of the NTA unchanged the sales prices could have moved the NTA from \$0.103 as of 31 December 2017 to more than \$0.14.
3. On 1 March 2018 IPE declared a dividend and capital return of \$0.07 per share after receiving a distribution from CM Capital Venture Trust No 4 from the settlement of the sale of its interests in ThreatMetrix. After the payment of dividend and capital return has been distributed to shareholders of IPE, share price has decreased from \$0.14 per share as of 20 March 2018 to \$0.065 as of 23 March 2018.

At the close of trading on 5 June 2018, the day prior to the announcement of the Proposed Transaction, the share price was \$0.063. We note that on 6 June 2018 being the date the Proposed Transaction was announced, IPE shares at close of trading were priced at \$0.075.

Given the observed movements in the IPE share price around the announcement of the Proposed Transaction, we calculated and assessed the volume weighted average price (“VWAP”) of the shares over a period of 1, 3, 6 and 12 months prior to the announcement date of 6 June 2018. The following tables summarises the VWAP calculated for these periods.

IPE Limited VWAP and Liquidity Analysis							
Period	Volume (Shares)	Volume (% of issue)	VWAP	Price (Low)	Price (High)	Days Traded	
1 Month (6 May 2018 to 5 Jun 2018)	2,297,706	1.7%	0.062	0.060	0.065	18	
3 Months (6 Mar 2018 to 5 Jun 2018)	14,897,585	11.0%	0.096	0.060	0.140	52	
6 Months (6 Dec 2017 to 5 Jun 2018)	29,147,478	21.5%	0.107	0.060	0.140	99	
12 Months (6 Jun 2017 to 5 Jun 2018)	58,703,074	43.3%	0.104	0.060	0.140	196	

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown in the above recent share trading history, there is reasonably strong liquidity in IPE shares with over 43% of shares on issue being traded over a twelve month period and 21.5% of the Company's current issued capital being traded over six months period. For us to rely upon the ASX listed share price as an indication of market value, there needs to be a 'deep' market in the shares. RG111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 25% to 50% of a company's securities are traded on an annual basis;
- There must be a sufficiently large spread of shareholders to enable the shares to trade on the stock exchange in an orderly manner; and
- There are no significant but unexplained movements in share price.

In our opinion, a company's shares should meet all of the above criteria to be considered 'deep' market. Based on our analysis of the share trading history of IPE and with reference to the above characteristics, we note;

- Regular trading in IPE shares has been observed, with trading on 196 days out of an approximately 250 trading days in a the year;
- With over 43.3% of IPE shares traded on an annual basis and over 21.5% traded over a six month period, we consider that there is sufficient liquidity to rely on the share price as an indicator of value;
- We also considered the impact of excluding the acquisition of 19,461,332 IPE shares by Mercantile in August 2017 on the 12 month trading volume of IPE shares. The adjusted percentage of IPE shares traded volume is 28.8% over the 12 month period which is still within the range of 25%-50% as highlighted on the page 20;
- As set out in Section 5.2, there is a considerable spread of shareholders, and in our opinion this spread is broad enough to facilitate a free float and regular trading of the Company's shares; and
- We do not consider that there have been unexplained significant movements in the share price of the period observed, where such movements occurred around the announcement of new developments or financial results, or capital and dividend distributions.

We note the price of shares had decreased in March 2018 from \$0.14 to \$0.065 per share after IPE has paid out dividends and returned excess capital in March 2018. Therefore, we have determined the value of IPE shares based on market pricing is \$0.062 (being the 1 month VWAP to 5 June 2018), being the value of shares on a minority basis.

Control Premium

As discussed above, we are required under RG111 to assess the Proposed Transaction assuming 100% ownership of IPE. Accordingly a premium for control must be applied, which reflects the additional value that attaches to a controlling interest in the Company over a minority or portfolio interest as represented by the share price.

The control premium varies from transaction to transaction and is subject to a number of factors, including:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of business opportunities not currently being exploited;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the target's securities.

We have had regard to studies of control premiums offered by acquirers in Australian transactions. In a study of market premiums on 605 Australian transactions published by Halligan & Co⁶, the median takeover premium for all transactions for the period FY2001 to FY2014 was 30%, and the median takeover premium for transactions within the financial sector during that period was 21%. In a separate study published by RSM⁷ based on 463 transactions, the median takeover premium for all transactions identified between FY2005 to FY2016 was 29%, with an average control premium across such transactions of 35%. Specifically in the Banks and Diversified Financials, the RSM study identified average control

⁶ Halligan & Co is a specialist business valuation and forensic accounting firm, which published "Control Premium Research 2014".

⁷ RSM is a large professional services firm. The Australian member firm, RSM Australia published "Control Premiums Study 2017".

premium of 23% across 34 transactions. We have also identified a sample of Australian transactions in Appendix 6. We note that these companies are comparable in terms of similar operations to IPE as there have been no takeovers involving listed private equity fund businesses, however they do provide an indication of typical control premiums of recent takeovers in the Australian market for listed companies holding a portfolio of investment assets, where those assets are booked at their controlling value (as is the recognition of private equity investments in IPE⁸), being an average of 14.62%. We have also separately reviewed recent transactions in other industries involving trading business, where the average control premium was significantly higher, at approximately 30%. While the transactions involving asset-based investment companies we have identified were executed at a significantly lower control premium (of approximately 15%) than the operating businesses (of approximately 30%), in our opinion a control premium between this range is applicable to IPE. We consider that the private equity fund investments, which ultimately hold controlling interests in trading businesses would command a higher control premium than a listed investment company holding primarily infrastructure or property assets. Based on the empirical studies and transactions reviewed and summarised in Appendix 6, we consider a control premium range of between 20% and 25% to be applied to IPE quoted market share price.

Valuation – Controlling Basis

We applied the above control premium to our assessed value of IPE shares on a minority basis, to derive the control basis valuation as set out below.

IPE Limited		
Market-based Valuation per Share (Controlling Basis)		
	Low	High
Value per Share on a Minority Basis	0.062	0.062
Control Premium	20%	25%
Value per Share on a Controlling Basis	0.074	0.077

Source: Titan Partners Corporate Finance Analysis

7.3 Net Tangible Assets / Net Realisable Value Valuation

As a cross check to the calculation of the value of IPE shares above based on recent share price, we have reviewed the value of IPE shares on controlling basis using an asset based methodology. We note IPE does not have intangible assets on the balance sheet as of 31 May 2018, however as the private equity investments are held at the latest available carrying value in accordance with reports supplied by the fund managers, these values are effectively inclusive of any intangible assets as valued and recognised by the respective managers. Therefore, the valuation of IPE is effectively at the net assets level.

In determining the asset value of IPE, we have principally had regard to the reported net tangible assets share price as at 31 May 2018, as announced to the ASX on 12 June 2018. We recalculated the net tangible assets value of IPE as of 31 May 2018 by multiplying share price value by the total number of outstanding shares of IPE (135,642,099 shares). Based on our review and analysis of the nature of the assets and liabilities held and discussions with management, we have included an allowance for estimated transaction costs and termination fee payable to Pomona as at 31 May 2018. Set out below is our valuation assessment of IPE based on asset methodology.

⁸ The business held within each private equity fund investments are valued by the respective managers on a controlling basis. Such values are then used to derive the unit prices of each private equity fund, as reported by the respective manager. As the unit values form the basis of the carrying values adopted by IPE in its financial statements, the book values of private equity investments which are marketed to market on a regular basis in accordance with Australian accounting standards, such carrying values on the IPE Balance Sheet would be inclusive of a control premium with respect to the assets held in each private equity fund.

IPE Limited Net Tangible Assets Value		
\$'000s	Note	
Net Tangible Assets Value per Share (\$) - Controlling Basis		0.069
Shares Outstanding (thousands)		135,642
Net Tangible Assets		9,359
Less: Estimated Transaction Costs	1	(100)
Less: Termination Fee Payable to Manager	2	(400)
Adjusted Net Tangible Assets		8,859
Net Tangible Assets per Share (\$) – Controlling Basis		0.065

Source: Titan Partners Corporate Finance Analysis

We note the following with respect to the net tangible assets per share calculation above:

1. We applied an adjustment of \$100,000 for the approximate costs (legal and other advisors costs) for the Proposed Transaction based on Management estimations.
2. An adjustment for termination fee payable by IPE to Pomona of \$400,000 as advised by IPE Management in the announcement to ASX as of 6 June 2018 per Section 4.2 above. We further review the termination fee on the Management Agreement in Section 7.5 below.

We have determined the value of IPE on a net tangible asset basis is \$0.065 per share.

Our assessed value using the recent share price methodology of \$0.074 to \$0.077 per share (on controlling basis) is approximately 13% to 18% higher than the assessed value of shares using net tangible assets valuation methodology. However, if compared to the assessed value share price on minority basis of \$0.062, net tangible assets value is higher by approximately 5.5% which is consistent with our analysis of the historical net tangible assets value and share prices in Section 7.4 below.

7.4 Review of NTA/NRV to Share Price

The following schedule shows the movements of IPE's share price and IPE's NTA for the 12 months period from June 2017 to May 2018.

IPE Limited												
Share Price compared to NTA per share analysis												
\$	2017							2018				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
NTA per share ⁹	0.106	0.106	0.105	0.104	0.104	0.104	0.103	0.141	0.141	0.070	0.071	0.069
Monthly VWAP	0.113	0.105	0.100	0.103	0.101	0.099	0.098	0.113	0.117	0.120	0.064	0.062
Premium (discount)	7%	(1%)	(5%)	(1%)	(3%)	(5%)	(5%)	(20%)	(17%)	72%	(10%)	(11%)
Month End Share Price	0.110	0.105	0.105	0.100	0.100	0.100	0.100	0.120	0.120	0.068	0.064	0.063
Premium (discount)	4%	(1%)	-	(4%)	(4%)	(4%)	(3%)	(15%)	(15%)	(3%)	(10%)	(9%)

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

As shown above, the Company has traded at a discount to its net tangible assets per share since June 2017. On average NTA price per share is approximately 6.6% lower compared to month end share price of IPE. When compared to monthly VWAP of shares the discount is in the range from 1% to 10%, excluding the period from January to March 2018. In this period IPE released announcements to ASX about collection of proceeds from sales of ThreatMetrix by CM Capital Venture Trust No 4 and distribution of dividends to IPE shareholders, which resulted in significant fluctuations of share prices during the month. Therefore, the above monthly observations in the month end closing price of IPE shares, monthly VWAP, and NTA per share, are consistent with our valuation set out in Section 7.3 above.

7.5 Termination Fee on Management Agreement

We reviewed the Management Agreement supplied to us and the calculation of the Termination Fee payable by IPE to Pomona prepared by the IPE Board. The Termination Fee on the Management Agreement is calculated based on an estimate of:

- The monthly management fee for ongoing management based on the agreed rate of 0.85% as noted in Section 4.2, assuming no change to the actual net asset value as at 30 April 2018; and
- The potential performance fee payable to Pomona as at 30 November 2018, based on several scenarios to project the future value on which the performance fee for IPE is calculated, using actual returns generated from the IPE assets from 1 December 2015 to 30 April 2018.

Based on the calculations prepared by the IPE Board and reviewed by us, we consider that the directors' estimates and the assumptions adopted in those calculations are reasonable and consistent the key terms of the Management Agreement. Accordingly, the amount of \$400,000 payable to Pomona under the Proposed Transaction is not unreasonable as it is less than the present value of the future cashflows expected to be paid.

In our review of the Termination Fee for the Management Agreement itself, we have had regard to guidance published by ASIC in *Regulatory Guide 76 Related party transactions ("RG76")*. As noted in Section 4.2, Pomona is controlled by Mr Schahinger thus is considered a related party of IPE. We note RG76 provides guidance with respect to Section 210 of the *Corporations Act 2001*, which contains an exception for the requirement to obtain member approval for a financial benefit given to a related party. The proposal to terminate the Management Agreement for a sum of \$400,000 is less than the present value estimated by the Directors, therefore is on terms that are 'less favourable to the related party' and satisfies guidance in paragraph 60 of RG76.

⁹ Net tangible assets per share before tax

8. Evaluation of Proposed Transaction

8.1 Approach

We have adopted the guidelines set out in Regulatory Guides issued by ASIC including RG74 and RG111, which govern the content and use of experts' reports in corporate transactions.

The ASIC regulations require an independent expert to consider takeover proposals under the concepts of "fairness" and "reasonableness", in accordance with RG111.10. We therefore separately consider whether the Proposed Transaction is "fair" and "reasonable" from the perspective of the Shareholders.

8.2 Fair

RG111 considers that a transaction is fair if the value of the offer price or consideration received is greater than the value of the securities subject to the offer. The comparison should be undertaken assuming a knowledgeable, willing but not anxious buyer and knowledgeable, willing but not anxious seller, where both parties act on an arm's length basis.

As summarised in the following table, the assessed value per IPE share on a controlling basis is between 7.40 and 7.71 cents. The value of the consideration offered by Mercantile is 7.75 cents, being wholly in cash. As the value of the consideration offered is more than our assessed value of IPE shares on a controlling basis, we therefore consider the Proposed Transaction is 'fair' for the Shareholders.

IPE Limited Fairness Assessment		
	Low	High
Assessed Value per IPE Shares	0.0740	0.0771
Offer Consideration (per IPE share)	0.0775	0.0775
Difference	0.0035	0.0004
Transaction Assessment	FAIR	FAIR

Source: Titan Partners Corporate Finance Analysis

This conclusion on the value of IPE shares is supported by our cross-check based on NTA of 0.0657 which is also calculated on a controlling basis.

8.3 Reasonable

RG111 states that a transaction is also "reasonable" if it is "fair". It also states a transaction may be considered "reasonable" if not "fair", where an expert concludes there are sufficient reasons to proceed with a transaction in the absence of a higher offer.

As we have assessed the Proposed Transaction as "fair" per Section 8.2 above, we are able to conclude that it is "reasonable" under guidelines set out in RG111. To assist IPE shareholders, we have also reviewed the advantages and disadvantages of the Proposed Transaction of the Proposed Transaction below.

8.4 Advantages

In accordance with RG111, we assess the qualitative aspects of the Proposed Transaction to identify the advantages and disadvantages to the Shareholders upon Completion.

Certainty of Transaction Proceeds

Shareholders will receive a fixed cash consideration of \$0.0775 for each of their shares currently held in IPE should the Proposed Transaction from Mercantile be accepted. The return to existing IPE shareholders is therefore certain should they elect to accept the Proposed Transaction, however future movements in the IPE could be higher or lower than the consideration offered by Mercantile if Shareholders do not accept the Proposed Transaction, especially given the nature of the underlying assets being investments in inherently risky private equity funds.

No Brokerage Costs

Shareholders will not incur any additional transaction or brokerage costs from their brokers in order to receive the proceeds of \$0.0775 for each of their shares currently held in IPE. Conversely, brokerage may be charged by their respective broker for sale of that Shareholders' current holding in IPE under normal trading conditions. We note however brokerage or other costs may be incurred where a Shareholder instructs their Controlling Participant to accept the Offer from Mercantile on their behalf.

Certainty of Exit Timing

As disclosed to the ASX and summarised at Section 4 above, IPE and Mercantile have entered into an Implementation Agreement for the Proposed Transaction, with the offer from Mercantile due to close by 30 July 2018. The Proposed Transaction provides existing IPE shareholders certainty as to the timing of realisation of their investment in the Company. Should IPE continue to wind down its operations in the absence of the Proposed Transaction, the timing of any returns to shareholders will be subject to the exit timing adopted by each manager in the remaining private equity fund investments held by IPE. The directors of IPE are unable control the timing of such investment exits, therefore may result in a protracted process to realise investments and distribute the proceeds, should Shareholders not accept the Proposed Transaction from Mercantile.

Should shareholders not accept the Proposed Transaction, the Company is likely to continue its current wind down strategy, where the fund assets of IPE may continue to diminish over time as the fund managers of each respective private equity fund exit their investments and return the proceeds to investors such as IPE. Over time, the quantum and frequency of dividends and capital returns will reduce as the Company's assets decline and the Company will effectively become a listed 'shell' company with no investments. Consequently, liquidity of IPE shares on the ASX is also likely to decline over time, which results additional uncertainty for any remaining shareholders to exit their investment in the Company at the fair market value.

Further, as the portfolio assets of IPE reduce in number, the benefit of diversification will diminish accordingly, such that should a decline in value be experienced in a particular fund investment and is not offset by a corresponding increase in value of another fund investment, a material diminution in the NTA of IPE may result.

The Company will continue to incur operational expenditures such as administrative costs, management fees, and various regulatory and compliance costs whilst it awaits respective fund managers to exit the underlying assets and return those proceeds to IPE. It is likely such fixed costs will becoming increasingly material to any future returns or dividends IPE may generate and will reduce available funds to distribute to Shareholders.

Majority Acceptance Condition

For the Proposed Transaction to proceed, Mercantile has agreed that its offer for all of the shares will become unconditional when it receives acceptances from 50.1% of shares on issue (and other qualitative conditions are satisfied). This acceptance condition is set at a relatively low level, where it may commonly be at 80% or above. Acceptance by a simple majority of 50.1% of current shareholdings is therefore not an onerous acceptance criteria for existing IPE shareholders to realise their interest in the Company into cash under the Proposed Transaction and provides an easier mechanism than one with a higher threshold.

Similarly, if a Shareholder does not accept the offer but the 50.1% of ownership condition is reached, Mercantile can achieve effective control. Consequential impacts of remaining a shareholder could be reduced liquidity in the shares, which may impact the ability to realise a sale of fair market value on the ASX.

Management Agreement Terminated

As part of the Proposed Transaction, Mercantile has required as a condition that the management agreement between the Company and Pomona be terminated. To satisfy this condition, the directors of IPE have proposed a termination fee for the Management Agreement of \$400,000 (plus GST), which is below the estimated present value (as determined by the Directors) of the management fees payable to Pomona under the agreement, inclusive of the potential performance fee for the three year period to 30 November 2018, as set out in Section 7.5 above. Therefore, the termination fee agreed upon is in favour of IPE and its Shareholders and as such is an advantage to the shareholders for accepting the Proposed Transaction. The termination fee is fair to IPE and addresses a key condition to enable shareholders to accept the offer from Mercantile.

No alternative offers

At the date of this Report, there are no alternative offers received from other parties with respect to IPE. Accordingly, the Proposed Transaction offers an opportunity to shareholders.

8.5 Disadvantages

Inability to Realise Future Returns from Fund Investments

Should the Proposed Transaction be accepted, Shareholders will no longer hold any interests in the underlying private equity fund assets of IPE, as Mercantile has proposed an all-cash consideration for their IPE shares. As such, shareholders will forgo any future potential upside in the returns generated when the respective fund manager exits an investment in its portfolio company. However, we note that all Fund Managers of the respective private equity funds maintain a process of revaluing their portfolio companies each quarter, so the likelihood of this being a short to medium term risk or disadvantage of acceptance is reduced. While existing IPE Shareholders will lose exposure to the specific mix of sectors and geographies in which the respective businesses of each private equity fund currently operates, individual shareholders may reinvest the proceeds from the Proposed Transaction into similar investments.

Taxation Implications

The Proposed Transaction may result in certain tax consequences for IPE Shareholders, particularly with respect to their initial investment in the Company, should shareholders elect to accept the Proposed Transaction from Mercantile. We note that such taxation implications may not be different to those arising where a Shareholder's holdings in the Company are sold on the ASX. Shareholders should seek independent taxation advice to understand the taxation implications of accepting the Proposed Transaction.

Deters alternative offers

Announcement and acceptance of the Proposed Transaction by Shareholders may prevent alternative offers or proposals from being lodged by other parties. There is always the possibility that a higher offer will be submitted for the shares in IPE, creating a larger return for the Shareholders. In our opinion this is highly unlikely, given that IPE is not actively seeking offers, there are no other bidders currently seeking to make a counter offer and that IPE has commenced the process of winding down its investments in private equity funds.

8.6 Conclusion

Based on our assessment of the factors outlined above, in our opinion, the Proposed Transaction is considered to be **fair and reasonable** to the Shareholders.

The decision of any individual shareholder to accept or reject the Proposed Transaction is subject to and influenced by his or her individual circumstances. Titan Partners Corporate Finance strongly advises Shareholders to consult their independent advisors if in doubt.

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Financial Services Guide

Titan Partners Corporate Finance Pty Limited ABN 38 177 095 636 (“**Titan Partners Corporate Finance**”, “**we**”, “**us**”) has been engaged to prepare general financial product advice in the form of an Independent Expert’s Report to be provided to you.

In this circumstance we are required to issue to you, as a retail client, a Financial Services Guide (“**FSG**”). This FSG is designed to assist retail clients to make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

The FSG herein contains information with regards to:

1. who Titan Partners Corporate Finance is and how we can be contacted;
2. services we authorised to provide under our Australian Financial Services Licence;
3. remuneration that we, our staff and any associates receive in connection with the general financial product advice provided; and
4. our complaints handling process and the avenues available to lodge a complaint.

Titan Partners Corporate Finance

Titan Partners Corporate Finance is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert’s reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Titan Partners Corporate Finance holds Australian Financial Services Licence Number 427275.

Financial services we are licensed to provide

The Australian Financial Services Licence we hold authorises us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities (including debentures, shares and bonds), derivatives and interests in managed investment schemes.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

General Financial Product Advice

In our Report, we provide general financial product advice. It was prepared without taking into account your personal objectives, financial circumstances or needs.

You should consider your own personal objectives, financial circumstances or needs in assessing the appropriateness of the general advice we provide and may wish to seek personal advice from the holder of an Australian Financial Services Licence.

Fees, commissions and benefits we may receive

We charge fees to provide reports, including the IER provided herein. These fees are negotiated and agreed with the entity which engages us to provide a report. Our fees are determined on either a fixed amount or charged on an hourly time cost basis. Titan Partners Corporate Finance are expected to receive a fee of approximately \$25,000 for the preparation of this Report. The fee is not affected by whether the Shareholders approve or reject the Proposed Transaction. Except for such fees, Titan Partners Corporate Finance nor any of its directors, officers or associates receive any commissions or further benefits in connection with the report provided.

All of our employees receive a salary. Our employees do not receive any commissions or benefits arising directly from services provided to our clients.

We do not pay commissions or provide any other benefits to any party for referring clients to us in connection with the services that we are licensed to provide.

Complaints

As the holder of an Australian Financial Services Licence, we are required to have a complaints handling system for persons to whom we provide financial product advice. All complaints must be in writing, addressed to Titan Partners Corporate Finance Pty Ltd, PO Box R415, Royal Exchange NSW 1225.

In the event we are unable to satisfactorily resolve your complaint within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Services Limited (“FOS”), an independent external complaints resolution service established to provide advice and assistance to consumer to assist in resolving complaints relating to the financial services industry. You will not be charged for using the FOS service.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

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Appendix 2 – Qualifications, Declarations and Consents**Qualifications and Responsibilities**

Titan Partners Corporate Finance Pty Limited is the corporate finance arm of Titan Partners, which provides corporate finance services in relation to mergers and acquisitions, capital raisings, corporate restructuring, property and financial matters generally. One of its activities is the preparation of company and business valuations and the provision of independent advice and expert's reports concerning mergers and acquisitions, takeovers and capital reconstructions.

Mr Brad Higgs, *B.Com, CA, F.Fin* is responsible for this Report. Mr Higgs has a significant number of years' experience in relevant business advisory and corporate finance matters.

Mr Higgs is acting as a Representative of Titan Partners Corporate Finance pursuant to its Australian Financial Services Licence (No. 427275) held under Part 7 of the *Corporations Act 2001* (Cth) to provide advice on the valuation of securities.

Disclaimers

This Report has been undertaken in accordance with the instructions from the Directors of IPE. In performing this assignment we have accepted all information as presented to us as being free of material misstatement. We have relied on information provided, as set out in Section 3.3. We have evaluated this information through analysis, enquiry and review as appropriate. We do not warrant that our evaluation has identified or verified all of the matters that an audit, extensive examination or due diligence investigation may disclose.

The purpose of this Report, as set out in Section 3.1, is to opine on the Proposed Transaction, although there is no requirement under the *Corporations Act 2001*. We understand that the Directors wish to obtain an Independent Expert's Report to assist the Shareholders in their decision to accept or reject the takeover offer from Mercantile.

This report has been prepared solely to assist the Shareholders in considering their decisions with respect to the Proposed Transaction. We do not assume any responsibility or liability for any losses suffered by any party as a result of the circulation, publication, reproduction or other use of this report contrary to the provisions of this paragraph.

This Report has been prepared by Titan Partners Corporate Finance with care and diligence and that statements and opinions given by Titan Partners Corporate Finance in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Titan Partners Corporate Finance or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Titan Partners Corporate Finance from liability arising from an opinion expressed recklessly or in bad faith.

Declarations

Our Report has been prepared in accordance with *Regulatory Guide 111 Content of Expert Reports* issued by ASIC, professional standard *APES 225 Valuation Services*, issued by the Accounting Professional and Ethical Standards Board ("**APESB**") and any other applicable professional standards and statutory requirements, including the *Corporations Act 2001*.

Titan Partners Corporate Finance nor its Representatives or staff have at the date of this Report nor has ever had any shareholding in or other relationship with IPE that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Titan Partners Corporate Finance will receive a fee based on time costs for the preparation of this Report. This fee is not contingent on the outcome of the valuation report. Titan Partners Corporate Finance will receive no other benefit for the preparation of this Report.

IPE have agreed that to the extent permitted by law to indemnify Titan Partners Corporate Finance employees and officers in respect of any liability suffered or incurred as a result of or arising out of the preparation of this Report; including any claim arising from or in connection with its reliance on information or documentation provided by or on

behalf of IPE which is false, misleading or omits material information. This indemnity will not apply in respect of any conduct involving negligence or wilful misconduct or fraud. IPE have also agreed to indemnify Titan Partners Corporate Finance and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person except where Titan Partners Corporate Finance or its employees and officers are found liable for or guilty of conduct involving negligence or wilful misconduct or fraud in which case Titan Partners Corporate Finance shall bear such costs.

Consents

Titan Partners Corporate Finance consents to the inclusion of this Report in the form and context in which it is included in the Target's Statement to be issued to Shareholders with respect to the Proposed Transaction. Other than this Report, none of Titan Partners Corporate Finance or its affiliates has been involved in the preparation of the Target's Statement.

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Term	Definition
ASX	Australian Securities Exchange Limited
Mr Brunsdon	Geoff Brunsdon, Non-Executive Chairman of IPE
EBITDA	Earnings before interest and tax, depreciation and amortisation
FY2015	Audited financial information for financial year ended 30 June 2015
FY2016	Audited financial information for financial year ended 30 June 2016
FY2017	Audited financial information for financial year ended 30 June 2017
1H2018	Interim information for six-months ending to 31 December 2017
IPE, the “Company”	IPE Limited, ACN 107 843 381
Management Agreement	Agreement between IPE and Pomona
Mercantile, the “Bidder”	Mercantile OFM Pty Limited, ACN 120 221 623
NTA	Net Tangible Assets
Pomona	Pomona Australia Pty Limited, an entity controlled by Mr Schahinger
Proposed Transaction	Proposed offer by Mercantile to acquire IPE at \$0.0775 cash per share
the “Report”	This Independent Expert’s Report on the Proposed Transaction
Mr Schahinger	Jon Schahinger, director of IPE and controlling director of Pomona
Titan Partners Corporate Finance, “we”	Titan Partners Corporate Finance Pty Limited, AFSL: 427275.
VWAP	Volume Weighted Average Price of listed securities

Appendix 4 – Sources of Information

The information set out below was considered, adopted and relied upon by us in forming our opinion and preparing the report herein:

- Audited Financial Statements of IPE for the years ended 30 June 2016 (“FY2016”) and 30 June 2017 (“FY2017”), with comparative information for the year ended 30 June 2015 (“FY2015”);
- ASX announcement by IPE on 16 February 2018 in respect of the interim results for the 6 months to 31 December 2017, including the Half Year Report to December 2017;
- ASX announcements by both IPE and Mercantile on 6 June 2018 in respect of the Proposed Transaction;
- Management information with respect to the business operations of IPE;
- Other ASX announcements issued by IPE;
- Corporate transaction data and other market data as sourced from S&P Capital IQ;
- Industry Research Reports published by IBISworld Australia;
- ‘Control Premium Research 2014’ paper, published by Halligan & Co
- ‘Control Premiums Study 2017’ paper, published by RSM Australia; and
- Discussions with directors, management and advisors of IPE, including the Non-Executive Chairman and Directors, as well as provision of internal accounting work papers and analysis.
- Fund Reports prepared by the fund managers and provided to IPE as an investor in the respective private equity funds.

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Appendix 5 – Recent ASX Announcements

IPE Limited	
Company Announcements for the period from 1 January 2018 to 14 June 2018	
Announcement Date	Title
13/06/2018	Net Tangible Asset Backing
13/06/2018	Company Secretary Appointment/Resignation
06/06/2018	MVT: Merger Implementation Agree- Recommended Takeover of IPE
06/06/2018	IPE: Directors' Statement re Takeover
10/05/2018	Net Tangible Asset Backing
10/04/2018	Net Tangible Asset Backing
09/03/2018	Change in substantial holding for IPE
09/03/2018	Net Tangible Asset Backing
07/03/2018	Change in substantial holding for IPE
07/03/2018	Ceasing to be a substantial holder
05/03/2018	Change in substantial holding
01/03/2018	Dividend Details
01/03/2018	Dividend/Distribution - IPE
01/03/2018	Return of Capital - IPE
16/02/2018	Half Yearly Report to Investors
16/02/2018	Half Yearly Report and Accounts
09/02/2018	Net Tangible Asset Backing
30/01/2018	Asset realisation and possible impact on Net Tangible Assets
12/01/2018	Net Tangible Asset Backing

Source: ASX

Appendix 6 – Market Takeover Premium

Set out below are the takeover premiums on recent transactions in Australia in the past 36 months. A summary of each of the identified transactions and a summary of the business operations of the target company in each transaction are set out on the following page.

IPE Limited								
Comparable Transaction Takeover Premium								
Target	Bidder	Industry	Share price per offer (\$)	Market Share Price (\$)	Premium, %	Enterprise Value (m)	Announcement Date	Notes
Investment Companies								
Asia Pacific Data Centre Group	360 Capital Group	Property	1.95	1.76	11.00%	245	25/07/2017	A
Generation Healthcare REIT	NWH Australia Asset Trust	Property	2.24	2.05	12.20%	778	24/04/2017	B
GPT Metro	Growthpoint Properties Australia (ASX:GOZ)	Property	2.5	2.15	16.28%	410	05/05/2016	C
Unity Pacific Group	Sentinel Property Group	Property	0.47	0.39	19.00%	15.8	28/07/2016	D
Average					14.62%			
Other Trading Companies								
Tian An Australia	Oasis Star Limited	Residential Development	1.3	1.04	25.00%	53	24/07/2017	E
Royal Wolf Holdings Ltd	GFN Asia Pacific	Logistics	1.8	1.3	38.46%	284.5	12/07/2017	F
Bulletproof Group Limited	Australian Centre For Advanced Computing And Communication Pty Ltd	IT Services	0.152	0.12	26.67%	27.07	22/01/2018	G
Average					30.04%			

Source: S&P Capital IQ, Titan Partners Corporate Finance Analysis

Note A – Asia Pacific Data Centre Group (“APDC”) is a special purpose real estate investment trust which has been established to own properties (land and buildings) that are operated or being developed as data centres. 360 Capital Group Limited (ASX:TGP) offered to acquire the remaining 80.02% stake in Asia Pacific Data Centre Group (ASX:AJD) from a consortium of investors for approximately AUD 170 million. Control premium range was from 10% to 12% therefore we adopted a midpoint of 11% for the purpose of our analysis.

Note B - Generation Healthcare REIT is property fund launched and managed by ING Real Estate Investment Management Australia. The fund invests in the real estate markets across the globe. NWH Australia Asset Trust made an offer to acquire remaining 77.27% stake in Generation Healthcare REIT (ASX:GHC) for approximately AUD 380 million on April 24, 2017. Under the terms of transaction, NWH Australia Asset Trust made an offer to acquire 170.6 million shares at AUD 2.24 each. As of May 5, 2017, NWH Australia Asset Trust increased the offer price to AUD 2.3 per share

Note C - The GPT Metro Office Fund currently owns 6 properties in its portfolio. Growthpoint Properties Australia Trust (ASX:GOZ) (‘GOZ’) made a proposal to acquire Growthpoint Metro Office Fund (‘GPT Metro’) from Centuria Capital Ltd. (ASX:CNI) and other shareholders on April 5, 2016. The offer consideration was \$2.5 per unit.

Note D – Unity Pacific Group engages in the investment in and management of commercial, retail, industrial, and residential properties in Australia. Sentinel Property Group signed a bid implementation agreement to acquire remaining 83.92% stake in Unity Pacific Group (ASX:UPG). The total consideration received by security holders pursuant to the Offer will be 41.5 cents per share and a share of Sentinel being a contingent value redeemable preference share deemed to be fully paid to an amount of 5.5 cents.

Note E - Tian An Australia Limited (ASX: TIA) engages in the development and sale of residential land and built-form products in Australia. Oasis Star Limited made an indicative proposal to acquire additional 52.2% stake in Tian An Australia from each of the existing shareholders at a price of AUD 1.3 per share paid in cash in an off-market proportional takeover offer. We adopted 1 month WVAP of Tian An Australia shares of \$1.04 a benchmark for premium assessment, which is consistent with the report prepared by an independent advisor with respect to the transaction.

Note F - Royal Wolf Holdings Limited, together with its subsidiaries, engages in the hire, sale, and modification of new and refurbished shipping containers in Australia and New Zealand. It offers intermodal and freight, dangerous goods, refrigerated, building and construction, mining and defence, retail and events, self-storage, and removal containers, as well as container accessories and accommodation units. Share price on the last day before announcement was \$1.30.

Note G - Bulletproof Group Limited provides managed cloud, hosting, and professional services primarily for enterprise customers in Australia, the United States, and New Zealand. Australian Centre For Advanced Computing And Communication Pty Ltd entered into a scheme of arrangement to acquire Bulletproof Group Limited (ASX:BPF) for AUD 24.7 million on January 22, 2018. As per the terms of offer Australian Centre will offer AUD 0.152 per share of Bulletproof in cash.