



24 October 2018

Ms Ingrid Wei
Market Surveillance Analyst
National Stock Exchange of Australia
1 Bligh Street
Sydney NSW 2000

Dear Ms Wei

**Asset Resolution Limited
Continuous Disclosure Query – Director’s Loan**

I refer to your letter dated 22 October 2018 in relation to whether and how the making of the secured loan of \$3,250,000 to John Sergeant (the **loan**) is consistent with the Company’s principal activity, given the size and significance of the loan in relation to the Company’s assets and the potential impact the loan might have on the Company’s assets and revenue positions.

As you note, the Company’s principal activity is *‘holding, improving and realising various distressed assets’*.

The Company confirms that the making of the loan is consistent with the Company’s principal activity, on the basis set out below.

The terms of the loan include that:

- the primary interest rate is a commercial interest rate (the CBA Commercial Overdraft rate plus 3%);
- the interest rate is a rate higher than what the company was currently earning from having the funds on deposit with a financial institution, and therefore the loan was financially beneficial to the Company;
- the application of funds by the borrower is restricted in a manner that ensured that funds were liquid and would be readily available for repayment;
- that the loan is repayable on short notice (3 business days), a key competitive advantage; and
- that the loan is secured over property which the non-related directors were familiar with and understood the value of.

Prior to the making of the loan, which was made during the 2017 financial year, the Company held approximately \$12,000,000 in cash for capital management purposes, to meet operating costs and for future acquisitions. The making of the loan should be understood in the context of the following matters:

- in executing the investment mandate of Asset Resolution Limited, as set out in the Information Memorandum dated 24 November 2016, the Company holds cash until it find an appropriate investment opportunity;
- investment opportunities are often infrequent, lumpy and may require the Company to make a bid. When making a bid the Company needs to prove that it has the resources to execute the resulting transaction;
- the Company maintains its cash at call with National Australia Bank; and

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- having regard to the terms of the loan (as set out above), the making of the loan did not detract from the Company's ability to execute its investment mandate.

In this context, the making of the loan is plainly an aspect of the Company's capital management activities pending the entry into a new investment opportunity.

In addition, it is apparent from the Company's 2018 annual report that the major activity of the Company during the 2018 financial year was the receipt of \$2,104,941 from Octaviar Limited. The Company's holding in Octaviar Limited is plainly within the scope of the Company's principal activity. Further, during the 2018 financial year the Company made bids for the freehold of two office blocks in Sydney and some royalty assets. This activity was also within the scope of the Company's principal activity.

Accordingly, the major aspects of the Company's results and activities are within the scope of the Company's principal activity.

Having regard to the size of the loan in comparison to the size of the Company's assets does not alter this conclusion. The only significance of the loan is that it provides the Company with a higher income than it would otherwise receive if it kept the loan funds at call with the Company's bank.

We trust the above sufficiently answers your inquiry. However, should you require any further information, please do not hesitate to contact us.

Yours sincerely

Vicky Allinson FCCA, AGIA
Company Secretary