

RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

WEDNESDAY, 5 APRIL 2017

TRANCHE 2 SECURED UNLISTED NOTES – COMPLETION

1. IMF Bentham Limited (**IMF**) is pleased to announce that, further to its previous announcements of 24 March 2017 and 4 April 2017, it has successfully completed a debt capital raising of A\$41.18 million (including A\$0.78 million of accrued but unpaid interest) through the issue of a second tranche of secured unlisted corporate notes (**Tranche 2 Issue** and **Tranche 2 Notes**).
2. FIIG Securities Limited acted as the Lead Manager and was the Initial Subscriber for the transaction. Acacia Partners has acted as Financial Adviser to IMF.
3. IMF will use the proceeds of the Tranche 2 Issue for general corporate purposes, including funding its stated growth objectives in Australia, the US and other markets.
4. The full terms and conditions of the Tranche 2 Notes are set out in the existing Information Memorandum dated 6 April 2016 and the **attached** Supplemental Information Memorandum. The Supplemental Information Memorandum is incorporated into, and forms part of, and to the extent relevant, supplements and updates the Information Memorandum. Neither the Information Memorandum nor the Supplemental Information Memorandum is a prospectus or other disclosure document for the purposes of the *Corporations Act 2001* (Cth) and has not been lodged with the Australian Securities and Investments Commission. The Tranche 2 Notes will not be quoted on ASX.
5. For further information please contact IMF on 1800 016 464.



Jeremy Sambrook
Company Secretary

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Supplemental Information Memorandum



IMF Bentham Limited

(ABN 45 067 298 088)

Issue of Australian dollar Notes

The Notes have the benefit of the security as described in the Information Memorandum dated 6 April 2016

Lead Manager and Initial Subscriber

FIG Securities Limited

(ABN 68 085 661 632)

4 April 2017

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Important Notice

Introduction

This Supplemental Information Memorandum supplements and, should be read in conjunction with, the Information Memorandum dated 6 April 2016 (“**Information Memorandum**”) relating to the issue of A\$32,000,000 7.40% Fixed Rate Notes due 30 June 2020 (ISIN: AU3CB0236735) (“**Tranche 1 Notes**”) by IMF Bentham Limited (ABN 45 067 298 088) (“**Issuer**”).

Unless otherwise defined in this Supplemental Information Memorandum, terms defined in the Information Memorandum (including by incorporation) have the same meaning when used in this Supplemental Information Memorandum.

On 8 April 2016, the Issuer issued the Tranche 1 Notes pursuant to the conditions set out in the Information Memorandum, as supplemented by the Pricing Supplement dated 6 April 2016 (“**Conditions**”). The Issuer intends to issue additional Australian dollar fixed rate notes (“**Tranche 2 Notes**”, and together with the Tranche 1 Notes, the “**Notes**”) which will be consolidated and will form a single series with the existing Tranche 1 Notes. The terms and conditions of the Tranche 2 Notes will be identical to the Conditions (other than, to the extent relevant, in respect of the issue price, the Issue Date and the date of the first payment of interest). The Notes will continue to be subject to the transfer restrictions set out in the Conditions, and in particular, no Notes may be transferred to a person who is a retail investor for the purposes of section 761G of the Corporations Act within 12 months of the Issue Date of the Tranche 2 Notes. A pricing supplement will be issued in respect of the Tranche 2 Notes (“**Tranche 2 Pricing Supplement**”).

The Tranche 2 Notes will also have the benefit of the security (as described in the section of the Information Memorandum entitled “Security Arrangements”).

Prospective investors should read this Supplemental Information Memorandum, together with the Information Memorandum, carefully prior to making any decision in relation to purchasing, subscribing for or investing in the Tranche 2 Notes.

EACH RECIPIENT OF THIS SUPPLEMENTAL INFORMATION MEMORANDUM AND EACH INVESTOR OR POTENTIAL INVESTOR SUBSCRIBING FOR, PURCHASING OR OTHERWISE DEALING IN ANY TRANCHE 2 NOTES IS DEEMED TO HAVE REPRESENTED AND WARRANTED TO THE ISSUER, THE LEAD MANAGER AND INITIAL SUBSCRIBER, THE NOTE TRUSTEE, THE SECURITY TRUSTEE AND THE AGENTS THAT IT IS A PERSON TO WHOM IT IS LAWFUL TO MAKE ANY OFFER OF TRANCHE 2 NOTES AND IT IS A PERSON TO WHOM AN OFFER OF TRANCHE 2 NOTES FOR ISSUE OR SALE MAY BE MADE WITHOUT DISCLOSURE UNDER PART 6D.2 OR CHAPTER 7 OF THE CORPORATIONS ACT.

Issuer’s responsibility

This Supplemental Information Memorandum has been prepared and issued by the Issuer. The Issuer accepts responsibility for the information contained in this Supplemental Information Memorandum other than information provided by the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee and the Agents in relation to their respective details in the section entitled “Directory” below.

This Supplemental Information Memorandum is incorporated in, and forms part of, and to the extent relevant, supplements and updates the Information Memorandum. A reference to this Supplemental Information Memorandum is a reference to all or any part of it and a reference to the Information Memorandum is to the Information Memorandum as supplemented by this Supplemental Information Memorandum. This Supplemental Information Memorandum is authorised for distribution only when accompanied by the Information Memorandum.

None of the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or an Agent has been involved in the preparation of this Supplemental Information Memorandum and have not verified any of the information contained in this Supplemental Information Memorandum. Accordingly no representation, warranty or undertaking, expressed or implied, is made and no responsibility is accepted by the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or an Agent as to the accuracy or completeness of this Supplemental Information Memorandum.

Documents incorporated by reference

This Supplemental Information Memorandum is to be read in conjunction with all documents which are deemed to be incorporated into it by reference as set out in the Information Memorandum.

The Tranche 2 Pricing Supplement is incorporated in, and taken to form part of, this Supplemental Information Memorandum.

Any statement contained in this Supplemental Information Memorandum, the Information Memorandum or in any of the documents incorporated by reference in, and forming part of, this Supplemental Information Memorandum or the Information Memorandum shall be modified or superseded to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement (including whether expressly or by implication).

Copies of any documents incorporated by reference in this Supplemental Information Memorandum or the Information Memorandum may be obtained from the office of the Issuer or the Note Trustee or such other person specified in the Tranche 2 Pricing Supplement.

Except as provided above, no other information, including any document incorporated by reference in any of the documents described above, is incorporated by reference into this Supplemental Information Memorandum.

Disclosing entity

The Issuer is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of the Corporations Act and its securities are enhanced disclosure securities quoted on ASX and, as such, the Issuer is subject to regular reporting and disclosure obligations under the Corporations Act and the listing rules of ASX (“**ASX Listing Rules**”). Specifically, the Issuer is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the securities markets conducted by ASX. In particular, the Issuer has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price of value of its securities.

This Supplemental Information Memorandum should be read in conjunction with the publicly available information in relation to the Issuer which has been notified to ASX.

All announcements made by the Issuer are available from its website: www.imf.com.au or the ASX website: www.asx.com.au.

No independent verification

The only role of the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee and the Agents in the preparation of this Supplemental Information Memorandum has been to confirm to the Issuer that their respective details in the section entitled “Directory” below are accurate as at the Preparation Date (as defined below).

Apart from the foregoing, none of the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee and the Agents has independently verified the information contained in this Supplemental Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made, and no responsibility is accepted, by any of them, as to the accuracy or completeness of this Supplemental Information Memorandum or any further information supplied by the Issuer in connection with the Tranche 2 Notes.

The Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee and the Agents expressly do not undertake to any Noteholder to review the financial condition or affairs of the Issuer or any of its affiliates at any time or to advise any Noteholder of any information coming to their attention with respect to the Issuer and make no representations as to the ability of the Issuer to comply with its obligations under the Tranche 2 Notes.

No offer

This Supplemental Information Memorandum does not, and is not intended to, constitute an offer or invitation by or on behalf of the Issuer, the Lead Manager and Initial Subscriber, the Note Trustee, the Security Trustee or the Agents to any person to subscribe for, purchase or otherwise deal in any Tranche 2 Notes.

Currency

In this Information Memorandum, references to “\$”, “A\$” or “**Australian dollars**” are to the lawful currency of the Commonwealth of Australia and references to “US\$” or “**US dollars**” are to the lawful currency of the United States.

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Corporate Profile

The information in this section is a brief summary only of the Issuer and its business and does not purport to be, nor is it, complete.

When deciding whether to purchase any Tranche 2 Notes, prospective investors should review, amongst other things, this Supplemental Information Memorandum, the Information Memorandum and all of the documents which are deemed to be incorporated in each of them by reference, together with all announcements made by the Issuer to ASX which are available from its website: www.imf.com.au or the ASX website: www.asx.com.au.

Investing in the Tranche 2 Notes entails a number of risks as more fully described in the section entitled "Risks" below. However, this Supplemental Information Memorandum does not describe all of the risks associated with the Group's business, those associated with an investment in any Tranche 2 Notes or the market generally. Prospective investors should consult their own professional, financial, legal and tax advisers about risks associated with an investment in any Tranche 2 Notes and the suitability of investing in the Tranche 2 Notes in light of their particular circumstances.

Litigation funding overview and history

Litigation funding is the provision of funding to meet the costs of conducting litigation and in certain jurisdictions such as Australia, includes the assumption by the funder of the adverse cost risk (adverse costs are the costs payable to the other side if the litigation is unsuccessful). In the event that the case is successful, the funder receives reimbursement of the sum it has paid and a funding commission calculated as either, a percentage of the recoveries or a multiple of the funds invested or the greater of the 2 concepts. Litigation funding may also provide partial funding, such as a proportion of costs or payment of disbursements only.

Numerous cases in Australia and elsewhere have supported the concept of litigation funding. In 2006 the High Court of Australia handed down a decision in favour of litigation funding – *Campbells Cash and Carry Pty Limited v Fostif Pty Limited* (2006) 229 CLR 386. The High Court held that, in principle, litigation funding provides access to justice, is supportive of the court's process and is consistent with public policy.

Company overview

IMF Bentham Limited is the largest litigation funder in Australia and the first to be listed on ASX (ASX: IMF).

IMF Bentham introduced "Bentham" to its name on 28 November 2013 to reflect its growing international presence. The name "IMF Bentham" recognises the memory of Jeremy Bentham, the nineteenth century jurist and social reformer who was among the first to support the utility of litigation funding.

IMF Bentham has a market capitalisation of approximately \$310 million (as at 22 March 2017).

Examples of the types of matters which IMF Bentham funds include:

- commercial/corporate disputes including litigation arising from disputes relating to contracts, intellectual property and allegations of misleading and deceptive conduct;
- claims by insolvency practitioners including claims pursuing voidable transactions (uncommercial transactions/related party transactions), insolvent trading and actions arising from misfeasance by company officers;
- class action litigation including securities class actions and class actions arising from cartel behaviour, financial services and product liability;

- domestic and international arbitrations;
- patent infringement claims; and
- family law matters.

IMF Bentham services

IMF Bentham provides the following services in Australia and in other jurisdictions:

- funding for litigation/arbitration and investigations preliminary to litigation/arbitration;
- payment of adverse costs orders;
- strategic planning, monitoring and managing of litigation/arbitration;
- factual investigation preliminary to litigation; and
- assistance in facilitating settlements and maximising the value of each claim.

It is important to note that IMF Bentham does not provide legal services to clients in any jurisdiction in which it operates.

Although IMF Bentham's business began in Australia, IMF Bentham offers its services in other jurisdictions, including Canada, New Zealand, Hong Kong and Singapore. In August 2011, IMF Bentham established a subsidiary based in New York which provides funding for large disputes in the US. IMF Bentham now operates from 4 locations across the USA. The Canadian operation opened its first office in Toronto in January 2016. IMF Bentham plans to open a Singapore office in April 2017.

Subsequent to the issue of the Information Memorandum dated 6 April 2016, IMF Bentham announced on 14 July 2016 that it had completed the sale of its interests in its European joint venture to its joint venture partner Innsworth Investments II S.à.r.l and was restricted from funding cases in certain European jurisdictions for 12 months as a result of the transaction.

Benefits of IMF Bentham and litigation funding

Litigation funding is a valuable resource where a person or company:

- has a good claim but insufficient money to pursue it;
- cannot provide security to meet a security for costs order;
- wishes to reduce the financial risk associated with litigation; or
- is concerned about being exposed to pay the other side's costs.

The benefits IMF Bentham strives to deliver include:

- fast decisions with simple and flexible funding terms;
- direct contact with decision makers who are experts in their field;
- our accurate appraisal of the claim from a funder's perspective;
- a proactive approach focused on achieving the best possible outcomes; and
- management of the litigation and cost control.

Clients

IMF Bentham's clients include multinational corporations, ASX200 companies, small and medium enterprises, law firms in the US, individuals and insolvency practitioners. IMF Bentham's commercial clients span a range of sectors and industries, including financial services, superannuation funds, manufacturing, retail, mining, energy and resources, health, tourism, transport and pharmaceuticals.

IMF Bentham's clients are in both Australia and overseas.

IMF Bentham business model

From any recoveries in a case IMF Bentham recoups its expenses and receives either a percentage of recoveries plus a management fee, or a multiple of the expenses.

Generally, the percentage is set on a sliding scale so that if the case settles early, the amount payable is less. The percentage payable depends on the circumstances of the case; for example the strength of the case, the cost involved in pursuing the matter to a successful conclusion and the time it will take for the matter to come to trial. The multiple of expenses usually increases over time at set intervals.

There is no amount payable to IMF Bentham if the case is not successful.

In the USA, IMF also funds law firms to undertake a portfolio of actions and instead of receiving a percentage of recoveries plus a management fee, may receive a multiple of its investment if the underlying claims are successful. In certain circumstances, IMF will also provide working capital funding to a claimant or law firm which is treated as a funded expense of the related litigation.

Subsequent to the issue of the Information Memorandum dated 6 April 2016, IMF Bentham announced the launch of its first investment vehicle, Bentham IMF 1 LLC. IMF Bentham has committed to invest US\$33.3 million by way of subscription for Class A stock in Bentham IMF 1 LLC. A special purpose vehicle funded, advised and managed by affiliates of Fortress Credit Advisors LLC has committed to invest up to US\$100 million by way of subscription for Class B stock in Bentham IMF 1 LLC. For further details on the structure of Bentham IMF 1 LLC and its implications for IMF Bentham, see IMF Bentham's ASX announcement dated 13 February 2017.

IMF Bentham's track record

IMF Bentham was listed on the ASX in 2001. It has the longest operating history and track record of any litigation funder in Australia.

The following statistics summarise IMF Bentham's performance since listing as at 31 December 2016

157 cases commenced and completed since listing (excluding withdrawn cases) with an average investment period of 2.6 years

- Generated revenue of \$2 billion:
 - \$1.3 billion to claimants;
 - \$749 million to IMF Bentham comprising:
 - \$288 million reimbursement of costs (14%); and
 - \$461 million net revenue to IMF Bentham (excluding overheads) (23%);
- Multiple on invested capital of 1.6x, excluding withdrawals (calculated as gross income to the Issuer less all costs and reimbursements, divided by total expenditure);
 - lost cases cost \$47 million including adverse costs paid and provisions raised

(3 cases subject to appeal); and

- losses cost 6% of IMF Bentham's revenue.

The above statistics are reviewed by IMF Bentham's auditors, Ernst & Young, every 6 months (every 30 June and 31 December).

IMF Bentham's investment portfolio

IMF Bentham has continued to increase cases under management from approximately \$3 billion at 31 December 2016.

Investment portfolio as at 31 December 2016

Claim value range	Estimated portfolio value \$'000	Number of cases	Proportion of total value	Possible completion FY2017 \$'000	Possible completion FY2018 \$'000	Possible completion FY2018 and later \$'000
Less than \$50M	895,999	38	27%	133,117	557,559	205,323
Between \$50M and \$100M	713,414	10	21%	76,009	129,099	508,306
Greater than \$100M	1,760,761	8	52%	29,365	936,456	794,940
Total Portfolio	3,370,174	56	100%	238,491	1,623,114	1,508,569
Australian and Asia cases	1,464,200	23	43%	49,200	990,000	425,000
USA and Canada cases	1,905,974	33	57%	189,291	633,114	1,083,569
Total Portfolio	3,370,174	56	100%	238,491	1,623,114	1,508,569

Notes:

- Past performance indicates that the Group has generated average gross revenue in excess of 15% of the Estimated Portfolio Value of a case at the time it is completed (Long Term Conversion Rate). Past performance is not necessarily an indication of the future performance and the Long Term Conversion Rate may vary materially over time. By providing this information, IMF Bentham is not in any way whatsoever providing earnings guidance for future periods.
- Estimated Portfolio Value (EPV) is calculated using different base methodologies to reflect the different types of case investments made by the Group and, where appropriate, takes into account the perceived capacity of the defendant to meet the claim. In Australia, IMF Bentham generally does not cap its funding commitment to a case and is entitled to a prescribed percentage of any resolution sum on completion of the case. For such cases, the EPV is based upon IMF Bentham's current best estimate of the claims recoverable amount. Generally, in the USA and Canada, IMF Bentham's investment is capped and its potential return is structured as the higher of a prescribed multiple of funds invested and a percentage of any resolution sum. The EPV for such cases is calculated by reference to IMF Bentham's potential investment return, based on a multiple of funds invested, and IMF Bentham's Long Term Conversion Rate.
- It is important to note that whichever calculation methodology is used, the EPV is not necessarily the same as the amount being claimed by IMF Bentham's funded claimant/s in the case and is not the estimated return to the Group from the case if it is successful.
- The EPV may vary over time for a number of reasons, including changes in circumstances relating to a case, partial recovery and fluctuations in the foreign exchange rates between the applicable local currency and the Australian dollar.
- Cases which are contingently funded are included in the portfolio only when all conditions to funding are either satisfied or waived.
- The Possible Completion period is IMF Bentham's current best estimate of the period in which the case may be finalised. The case may finalise earlier or later than in this period. Completion means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded claimant. It may not follow that the financial result will be accounted for in the year of finalisation. Possible Completion period estimates are prepared at case inception and reviewed and updated where necessary on a quarterly basis.
- Cases which have settled subject to a condition or to court approval remain in the portfolio until the condition is fulfilled or approval is given.

(h) To avoid disclosing individual estimated portfolio values (which may be commercially sensitive) the estimated portfolio values for Australia and Asia, and the USA and Canada have been combined.

Corporate strategy

The Issuer's focus for the next 12 months includes:

- Further geographic expansion, including the imminent opening of an office in Singapore;
- The continued roll out of possible new products in Australia such as family law and an increased focus on arbitration in the Asia Pacific region; and
- Continuing to accelerate the number and diversity of funded cases.

The Issuer has set funding targets out to FY18 as set out below:

DESCRIPTION	FY2014 Actual	FY2015 Actual	FY2016 Actual	Actual to 17 March 2017	Remaining FY2017 Targets	FY2018 Targets
Cases funded	8	21	27	19	35	61
Funds committed (A\$)	\$42M	\$54M	\$81M	\$51M	\$56M	\$123M

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Board of Directors

IMF Bentham's Board of Directors is highlighted below.

Michael Kay – Non-executive Director and Chairman



Michael Kay was appointed the Issuer's Non- Executive Chairman on 1 July 2015. Mr Kay holds a Bachelor of Laws degree from the University of Sydney. Mr Kay brings a wealth of commercial experience to IMF. Most recently he was Chief Executive Officer and Managing Director of listed salary packaging company McMillan Shakespeare Ltd, a position he held for six years. Previously Mr Kay had been CEO of national insurer AAMI after serving in a variety of senior roles with that company. Prior to joining AAMI he had spent 12 years in private legal practice. He is a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne. Mr Kay is currently a:

- non-executive director of RAC Insurance Pty Limited;
- non-executive director of TFS Corporation Limited;
- non-executive director and chairman of Lovisa Holdings Limited; and
- non-executive director and chairman of ApplyDirect Limited.

During the past three years he has not served as a director of any listed company other than IMF Bentham Limited, TFS Corporation Limited, Lovisa Holdings Limited, ApplyDirect Limited and McMillan Shakespeare Ltd.

Andrew Saker – Managing Director and CEO



Andrew Saker holds a Bachelor of Commerce degree in Accounting and Finance. He is a Member of the Institute of Chartered Accountants and was an Official Liquidator of the Supreme and Federal Courts until his appointment at IMF.

Andrew was a partner at a leading provider of corporate recovery, insolvency management and restructuring services throughout Australia and Asia for 16 years. During this period he managed the Indonesian and Perth operations and assisted with billion dollar cross-border restructuring assignments throughout the world including in Indonesia, the Philippines, Singapore, China, Argentina, Kazakhstan, Europe, the US and Canada. Mr Saker has managed hundreds of large claims across a range of industries including mining, telecommunications, energy, aquaculture, property, manufacturing, infrastructure, banking and finance.

During the past three years he has not served as a director of any other listed company.

Hugh McLernon - Executive Director



Hugh McLernon is a lawyer by training. He holds a Bachelor of Laws degree from the University of Western Australia. After graduation he worked as a Crown Prosecutor for eight years and then as a barrister at the independent bar for a further nine years, before joining Clayton Utz for three years as a litigation partner.

In 1988, Mr McLernon retired from legal practice and introduced the secondary life insurance market into Australia through the Capital Life Exchange. He also pioneered the funding of large-scale litigation into Australia through McLernon Group Limited. From 1996 to 2001, Mr McLernon was the Managing Director of the Hill Group of companies which operates in the finance, mining, property, insurance and investment arenas of Australia.

Mr McLernon has been an Executive Director of IMF Bentham since December 2001 and was the inaugural Managing Director through to December 2004. He became the Managing Director again on 18 March 2009 and retired from that role on 5 January 2015.

During the past three years he has not served as a director of any other listed company.

Alden Halse – Non-executive Director



Alden Halse is a Chartered Accountant and was a long-term principal of national chartered accountancy firm, Ferrier Hodgson.

Over the last 30 years he has lectured and written extensively in relation to directors' duties, corporate governance issues and corporate and personal insolvency issues. Mr Halse:

- is an associate member of the Institute of Chartered Accountants and the Australian Institute of Company Directors;
- is a past president and current councillor of the Royal Automobile Club of WA (Inc);
- is a non-executive chairman of RACWA Holdings Pty Ltd; and
- is non-executive chairman of RAC Insurance Pty Limited, Western Australia's largest home and motor insurer.

Mr Halse is the Chairman of the audit and risk committee and nomination committee and a member of the remuneration committee and corporate governance committee.

During the past three years he has not served as a director of any other listed company.

Michael Bowen - Non-executive Director



Michael Bowen graduated from the University of Western Australia with Bachelors of Law, Jurisprudence and Commerce. He has been admitted as a barrister and solicitor of the Supreme Court of Western Australia and is an Associate and Certified Practising Accountant of the Australian Society of Accountants. Mr Bowen:

- is a partner of the law firm DLA Piper and formerly of Hardy Bowen which merged with DLA Piper on 1 July 2015, practicing primarily corporate, commercial and securities law with an emphasis on mergers, acquisitions, capital raisings and resources; and
- supports the Managing Director on matters concerning the corporations law.

Mr Bowen is Chairman of the remuneration committee and a member of the corporate governance committee, the audit and risk committee and nomination committee.

Mr Bowen is also a non-executive director of Trek Metals Limited. During the past three years he has not served as a director of any listed company other than IMF Bentham Limited and Trek Metals Limited.

Wendy McCarthy AO – Non-executive Director



Wendy McCarthy AO started her career as a secondary school teacher, graduating from the University of New England with a Bachelor of Arts degree and Diploma of Education. She moved out of the classroom into public life in 1968 and since then has worked for change across the business, government and not-for-profit sectors, in education, family planning, human rights, public health, overseas aid and development, conservation, heritage, and media. She has held many significant leadership roles in key national and international bodies including eight years as Deputy Chair of the Australian Broadcasting Corporation, ten years as Chancellor of the University of Canberra, and 12 years of service to Plan Australia as Chair, with three years as Global Deputy Chair for Plan International. She has just retired after 15 years as Chair of McGrath Estate Agents and seven years as Chair of the Pacific Friends of the Global Fund to fight AIDS, Tuberculosis and Malaria.

Ms McCarthy currently chairs headspace – the National Youth Mental Health Foundation and Circus Oz, and is a non-executive director of Goodstart Early Learning. She is a Patron of the Sydney Women's Fund and Ambassador for 1 Million Women. Ms McCarthy was appointed an Officer of the Order of Australia for outstanding contributions to community affairs, women's affairs and the Bicentennial celebrations, and received a Centenary of Federation Medal for business leadership. She was also awarded an Honorary Doctorate from the University of South Australia.

Ms McCarthy is Chair of corporate governance committee and a member of the audit and risk committee, remuneration committee and nomination committee.

During the past three years she has not served as a director of any other listed company.

Risk Factors

By investing in the Tranche 2 Notes you will be lending money to the Issuer and may be exposed to a number of risks which can be broadly classified as risks associated with the Tranche 2 Notes and risks associated with the Issuer's business that may affect the Tranche 2 Notes.

This section describes potential risks associated with the Issuer's business and risks associated with an investment in the Tranche 2 Notes and the Issuer. It does not purport to list every risk that may be associated with an investment in the Tranche 2 Notes now or in the future and the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of the Issuer, its directors and senior management team. The selection of risks has been based on an assessment of a combination of the probability of the risk occurring and impact of the risk if it did occur. This assessment is based on the knowledge of the directors as at the date of this Supplemental Information Memorandum but there is no guarantee or assurance that the importance of different risks will not change or other risks emerge.

Prospective investors should satisfy themselves that they have a sufficient understanding of these matters, including the risks described below, and have regard to their own investment objectives, financial circumstances and taxation position, before applying for any Tranche 2 Notes.

Capitalised terms used in this section have the meaning given to them in the Conditions, unless otherwise defined.

Risks associated with the Notes

(a) The liquidity of the Notes may be low

The market for the Notes may not be liquid.

If liquidity is low, there is a risk that, if you wish to sell your Notes prior to the Maturity Date, you may not be able to do so at a price acceptable to you, or at all, and there is a risk that the market price will become more volatile in general.

It is not intended that the Notes will be quoted on ASX or any other public stock exchange. The Issuer does not guarantee that you will be able to sell your Notes.

(b) Transferability of the Notes

Notes may only be transferred if the offer or invitation for the sale or purchase of those Notes is received by a person:

- in Australia, only if the minimum aggregate consideration payable at the time of the transfer is at least A\$500,000 (or its equivalent in an alternative currency and, in each case, disregarding moneys lent by the transferor or its associates to the transferee) or the Notes are transferred in circumstances that do not otherwise require disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act and the transfer complies with all applicable laws and directives; and
- if, in a jurisdiction outside Australia, the transfer complies with all other applicable laws and directives in the jurisdiction in which the transfer takes place.

The Tranche 1 Notes and the Tranche 2 Notes to be issued will form a single fungible series of Notes with no capability to differentiate between the Tranche 1 Notes and the Tranche 2 Notes within the Austraclear System. Consequently, it is intended that the Notes will continue to be subject to the transfer restrictions set out in the Conditions, and in particular, no Notes may be transferred to a person who is a retail investor for the purposes of section 761G of the Corporations Act within 12 months of the Issue Date of the Tranche 2 Notes.

(c) The Issuer may default on payment

Depending upon its performance and financial position, the Issuer may default on payment of some or all of the interest on the Notes, or repayment of some or all of the outstanding principal amounts of the Notes.

If the Issuer does not pay some or all of the interest or outstanding principal amounts on the Notes as and when payable under the Conditions, then you may not receive some or all of the money you invested in Notes or interest that is due to be paid to you.

(d) Noteholders are secured creditors of the Issuer but will rank behind prior ranking Permitted Security Interests and creditors preferred by law

The Group is structured, like many other listed corporate groups, with the Issuer as the head holding company that holds (directly or indirectly) all of the Group's equity interests in its Subsidiaries and incorporated joint ventures. Accordingly, the assets of the Issuer comprise investments in cases, cash, receivables from third parties, benefit of insurance contracts, receivables from Subsidiaries and any incorporated joint venture entities and the equity interests in Subsidiaries and such joint venture interests.

The Notes are secured by a security interest over all present and future-acquired property of the Issuer. The Notes are also secured by specific security agreements relating to the shares in the Issuer's Australian Subsidiaries.

Noteholders do not have security over the assets of the Subsidiaries or any incorporated joint ventures themselves and are not creditors of the Subsidiaries or any joint venture companies. Subject to the negative pledge contained in the Conditions, the Subsidiaries are not restricted under the Transaction Documents from incurring indebtedness and from granting Security in relation to their own obligations or those of another member of the Group.

If the Issuer becomes unable to meet its obligations or suspends any payments it is required to make, Noteholders' claims will rank after any prior ranking Permitted Security Interest and any creditor mandatorily preferred by law in any jurisdiction and, subject to the Priority Deed, equally with holders of IMF Bentham ASX Bonds and lenders pursuant to any Permitted Secured Finance Arrangements. Subsidiaries may also have other liabilities which may be secured or unsecured and could affect the value of the Notes and the Security and the return to Noteholders in a winding up of the Issuer.

If there are insufficient assets to satisfy Noteholders' claims and lenders' claims pursuant to any Permitted Secured Finance Arrangement after satisfying any prior ranking Permitted Security Interest and creditors preferred by law, there is a risk that you may lose some or all of the money you invested in Notes and any Interest that has accrued but remains unpaid.

(e) The Security may not be enforceable, or may not have the intended priority in respect of assets outside of Australia

The Issuer owns assets included in the Security which are located outside of Australia, including shares in Subsidiaries, and may hold other assets outside of Australia during the term of the Notes. The Security will be registered in Australia and perfected in accordance with applicable Australian law but may not be registered or steps taken to perfect such Security over assets of the Issuer in any other jurisdiction. As a result, it is possible that the Security may not constitute an enforceable security interest over assets of the Issuer located outside of Australia or that any such Security may be subject to prior ranking Security created either by law or otherwise in those jurisdictions outside Australia where such Issuer assets are located. As a result, Noteholders should not rely upon the ability to enforce the Security in respect of any Issuer assets located outside of Australia and may rank as unsecured creditors in the winding-up of the Issuer with respect to such assets located outside of Australia.

(f) The realisation of the Security following an Event of Default may not be sufficient to repay the principal outstanding amounts on the Notes and any accrued but unpaid

Interest

Upon an enforcement of the Security following an Event of Default and subject to the enforceability and ranking of the Security in the applicable jurisdiction, Noteholders will have access to the property secured by the Security. This property consists of all of the Issuer's present and after acquired property. At present this mainly comprises the following:

- The Issuer's investments in cases. However, the realisable value from these investments at the time of an Event of Default may not reflect the long term value of such investments should they be held and conducted in accordance with the Issuer's ordinary course of business. Such investments are highly illiquid and may require substantial further funding in order to realise any value from them;
- Current Resources. However, there are no restrictions in the Transaction Documents on the Issuer's ability to deal in Current Resources in the ordinary course of business and hence there can be no assurance with regard to the Issuer's cash level from time to time or the realisable value of the other assets comprising Current Resources which, in the case of Receivables, will be subject to credit risk;
- The Issuer's insurance contracts. However, there may be no realisable value in these insurance contracts following an Event of Default and the contracts may be subject to termination rights which are triggered at the time of an Event of Default which may impact any value which is realisable from the contract which is also subject to underwriter credit risk;
- The shares the Issuer holds in its Subsidiaries, but not to the assets of the Subsidiaries. On a winding up of a Subsidiary, a Noteholder would not receive any value for the shares unless creditors of the relevant Subsidiary were satisfied in full; and
- Under the terms of the Security, subject to an Event of Default not having occurred, the Issuer may dispose of any Circulating Asset (which comprise all the Security, save for shares in Subsidiaries) in the ordinary course of business.

Based on the above, there is no assurance or guarantee that the value of the Security upon realisation would be sufficient to repay the outstanding principal amounts and any accrued but unpaid Interest on the Notes.

(g) The Security ranks equally with the security provided under the IMF Bentham ASX Bonds and will rank equally with any further Notes or IMF Bentham ASX Bonds and lenders pursuant to any Permitted Secured Finance Arrangements

Noteholders have the benefit of certain restrictions to the Issuer's ability to raise further secured debt.

The Issuer is prohibited from creating and issuing any further Notes or IMF Bentham ASX Bonds or granting any Security in respect of indebtedness which would rank equally with, or in priority to, the Notes, other than in specified circumstances. The Issuer is permitted to incur secured indebtedness that ranks equally with the Notes (including issuing further Notes or IMF Bentham ASX Bonds, but excludes issuing any other secured debt securities of a shorter maturity than the Notes), if as at the date of the incurrence of the relevant secured indebtedness the aggregate of the outstanding Notes, IMF Bentham ASX Bonds and any equal ranking secured indebtedness does not exceed \$150 million and the Current Resources are not less than 75% of the total Financial Indebtedness of the Group (calculated on a post-incurrence basis).

The issue of further Notes or the incurrence of any indebtedness pursuant to Permitted Secured Finance Arrangements would increase the risk of there being insufficient assets to satisfy in full Noteholders' claims and lenders' claims pursuant to any Permitted Secured Finance Arrangement after satisfying any prior ranking Permitted Security Interests and

creditors preferred by law and hence there is a risk that you may lose some or all of the money you invested in Notes and any Interest that has accrued but remains unpaid.

(h) Noteholders may only request that their Notes be redeemed early in limited circumstances

Noteholders may only request redemption of their Notes prior to the Maturity Date where there is a Change of Control Event or a Delisting Event. Alternatively, to realise your investment, Noteholders may be able to sell their Notes on Austraclear at the prevailing market price but, depending on market conditions at the time, it is possible that Notes may be trading at a market price below their outstanding principal amount and/or the market for Notes may not be liquid.

(i) Issuer may redeem Notes early in limited circumstances

The Issuer has the right to redeem Notes if a Tax Event occurs, pursuant to a clean-up call or on certain Optional Redemption Dates.

Depending on market conditions at the time, you may not be able to reinvest the amount you receive on redemption at a similar rate of return to the rate of return you expected on your Notes if you had held them until the Maturity Date.

(j) Taxation considerations

A summary of potential Australian taxation implications for Noteholders is included in the section of the Information Memorandum entitled "Australian Taxation". This is a general summary and is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, Noteholders should seek independent advice in relation to their own individual taxation circumstances.

Risks associated with IMF Bentham Group's business that may affect Notes

(a) Reliance on key personnel

The Issuer depends substantially on its executive directors and senior management and key personnel to oversee the day-to-day operations and the strategic management of the Issuer. There can be no assurance given that there will be no detrimental impact on the Issuer if multiple directors or employees cease their employment.

(b) Requirement for working capital

The Issuer's ability to self-fund its working capital requirements is dependent upon the ability to generate sufficient cash flow from the case portfolio in a given period to match the capital requirements for future investments in that period. The Issuer always has the option to modify its capital commitments in line with available cash flow, however to date the Issuer has generally sought to bridge any cash flow gaps which have arisen by seeking further debt or equity capital funding in various forms. To the extent the Issuer continues to have such external funding requirements, the Issuer will be reliant upon there being willing investors to meet such demand. In the event such investment is not forthcoming at any point in time, the Issuer will need to modify its future investments in line with cash flows generated from its existing investment portfolio.

(c) Funding to meet redemption obligations

The IMF Bentham ASX Bonds are due to be redeemed in June 2019. The Notes are due to be redeemed on its maturity date in June 2020, and may be redeemable prior to their scheduled maturity at the option of the Issuer in June 2019. As such, the Issuer will need to retain sufficient cash to meet such redemption obligations or otherwise refinance the debt. The Issuer typically has been unable to access bank funding and, in the absence of retained cash reserves, will be reliant upon its ability to access the non-bank debt markets to refinance

the IMF Bentham ASX Bonds and the Notes.

(d) Risks specific to IMF Bentham Cases

Poor case selection

The central task in the Issuer's business is to choose successful cases. If poor case selection occurs then this will cause loss to the Issuer through payment of the client's legal expenses and payment of the successful defendant's costs (in jurisdictions where this is relevant).

Remaining in unsuccessful cases

It is sometimes the position that cases turn out to be less prospective as the litigation proceeds after the initial assessment. While the Issuer has a unilateral right of termination under its funding agreements, if the Issuer fails to terminate such funding then loss will occur to the Issuer.

Time and expense

If the Issuer fails to control expenditure on individual cases beyond the proposed budget or such cases take materially longer than originally indicated, then loss may be caused to the Issuer

Inability of defendants to pay judgements

Part of the case selection process involves an assessment by the Issuer of the ability of the defendant to pay a judgment if the case is successful. If the Issuer fails to properly carry out its assessment of the defendant's ability to pay, or that ability deteriorates after funding is in place, then this will cause loss to the Issuer even if the case is successful.

Lost cases

If selected cases are unsuccessful, either at first instance or subsequent to a defendant's successful appeal upon final judgment, this will result in a write off of the intangible asset represented by such case (comprising the amount funded to the client and the amount of the associated capitalised overheads required to be allocated to the case in accordance with Accepted Accounting Practices). In addition, the Issuer may be liable to the successful defendants in respect of their legal costs incurred pursuant to indemnifications provided for adverse costs. These negative financial impacts can be amplified in situations where the Issuer funds multiple similar claims by a client or group of clients and a loss in one case results in the remaining cases being lost or otherwise discontinued. By way of example, in the *Bank Fees* group of cases funded by the Issuer, each of the non-ANZ Banking Corporation proceedings remain stayed following the High Court's dismissal of the appeal by the Issuer's clients in the case against ANZ Banking Corporation. There is a risk that some or all of the remaining *Bank Fees* proceedings may, if not settled in the interim, be discontinued with the Issuer crystallising further associated write downs and adverse costs liabilities.

Changes in the law

It is possible that statute law or the interpretation of the common law may change in a way which is adverse to the interests of the Issuer. There are now numerous court decisions in Australia and elsewhere (both single Judge and Courts of Appeal) supporting the business model of the Issuer, but it is possible that higher courts may disagree with existing authorities and such decisions may impact adversely on the Issuer's business model.

Offshore investment

The Issuer has invested in litigation funding agreements in countries other than Australia. The Issuer has agreed to fund cases in the US, Canada, Hong Kong and may agree to fund other cases in the future in these and other jurisdictions such as Singapore, New Zealand and (after

14 July 2017 when the Issuer's non-compete obligations end relating to the disposal of its former IMF European JV Assets) certain European jurisdictions. The management of such cases can be more difficult than the management of Australian cases and the law different to Australian law and any mismanagement may cause loss to the Issuer.

(e) US Funding

The Issuer has established Bentham IMF 1 LLC, an investment vehicle with commitments from an IMF Bentham Group company and also commitments from a special purpose vehicle funded by affiliates of Fortress Creditor Advisors LLC (collectively, "**Fortress**"). Pursuant to the arrangements, Fortress has an obligation to provide an aggregate 75 per cent. of the capital committed, capped at an initial level of US\$100 million. If Fortress does not satisfy such funding obligations in full and the Issuer is unable to engage an alternative investor it could limit the ability of Bentham IMF 1 LLC to enter into litigation funding arrangements and, in turn, limit the earning capacity of Bentham IMF 1 LLC which could ultimately have an adverse financial impact on the Issuer.

(f) Economic risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Issuer's activities, as well as on its ability to fund those activities. If the Issuer's offshore operations become significantly larger, these economic risks, and in particular risks associated with currency exchange rates, may increase.

(g) Exchange rate risk

The Issuer provides litigation funding services to clients in a number of countries other than Australia and earns revenues in currencies other than Australian dollars. In the ordinary course of business, the Group earns revenue in the currency of the country in which the costs are incurred.

Changes in the value of Australian dollars relative to other currencies in which the Group earns revenues and incurs costs will impact the translation of non-Australian dollars denominated earnings and may impact the Australian dollar value of assets and liabilities denominated in foreign currency recorded on the Issuer's balance sheet.

(h) Government regulation

There remains the potential for further regulation of the litigation funding industry in all jurisdictions in which the Issuer operates and although no applicable legislative body has announced a present intention to enact legislation or secondary regulation which would have a direct impact on the Issuer's current business operations, no assurance can be given that such legislation or regulation will not be enacted in the future.

(i) Judicial decisions

To date, the courts have generally found in favour of litigation funding arrangements in Australia but the courts, in Australia or overseas, will continue to oversee the development of the litigation funding industry and adverse decisions may impact on the business of the Issuer.

(j) Multiple Defendants

In some cases there may be multiple defendants, or defendants may add third parties to the funded litigation, potentially increasing adverse costs if the litigation is unsuccessful.

(k) Technology

The Issuer is dependent on technological services for its case management system. These systems may fail or may not operate properly. The Issuer may fail to keep its technology up to date with the resultant loss of business opportunities.

(l) Competition

The Issuer currently has an increasing number of competitors in the Australian litigation funding market, including overseas based competitors. There are also at least two other litigation funders vying for a multinational litigation funding business. As time passes and litigation funding becomes more widespread, further competition will develop, and such competition may impact on the performance of the Issuer.

(m) Growth

The Issuer is currently pursuing a strategy of international expansion, having recently opened an office in Houston and with plans to imminently open an office in Singapore. There are always risks attendant upon growth strategies. There is a risk, for instance, that the Issuer may mismanage its growth strategy.

(n) Information available to Noteholders if Issuer does not continue to be listed on ASX

There is no guarantee that the Issuer will continue to be listed on ASX at all times during the life of the Notes. If the Issuer ceases to be listed on ASX, it will cease to be subject to the continuous disclosure obligations for listed entities under the Corporations Act and the ASX Listing Rules, which will result in a decrease in the level of publicly available information available to Noteholders in relation to the Issuer, its business and operations.

For personal use only

Selling Restrictions

*Under the Subscription Agreement dated 4 April 2017 between the Issuer and the Lead Manager and Initial Subscriber ("**Subscription Agreement**") and subject to the Conditions contained in the Information Memorandum, the Tranche 2 Notes will be offered by the Issuer through the Lead Manager and Initial Subscriber. The Issuer will have the sole right to accept any offers to purchase Tranche 2 Notes and may reject any such offer in whole or (subject to the terms of such offer) in part.*

None of the Issuer or the Lead Manager and Initial Subscriber has represented that any Tranche 2 Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or in accordance with any available exemption, or assumes any responsibility for facilitating that sale.

Persons into whose hands this Supplemental Information Memorandum comes are required by the Issuer, the Lead Manager and Initial Subscriber to comply with all applicable laws and directives in each country or jurisdiction in which they purchase, offer, sell, resell, reoffer or deliver Tranche 2 Notes or have in their possession or distribute or publish the Supplemental Information Memorandum or other offering material and to obtain any authorisation, consent, approval or permission required by them for the purchase, offer, sale, reoffer, resale or delivery by them of any Tranche 2 Notes under any applicable law or directive in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales, reoffers, resales or deliveries, in all cases at their own expense, and none of the Issuer or the Lead Manager and Initial Subscriber has responsibility for such matters. In accordance with the above, any Tranche 2 Notes purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any further prospectus or corresponding document relating to the Tranche 2 Notes in such jurisdiction.

The selling restrictions set out in the Information Memorandum apply to the Tranche 2 Notes.

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