

22 February 2017

Letter from the Chairman of EZA Corporation Limited

EZA directors unanimously recommend you
REJECT
Mercantile OFM's takeover offer

Dear Shareholder,

I am writing to you in response to the bidder's statement issued by Mercantile OFM Pty Ltd (**Mercantile OFM**) on 10 February 2017 in respect of an unsolicited, conditional off-market cash takeover offer for EZA Corporation Limited (**EZA**) (**Offer**). Mercantile OFM is a wholly owned subsidiary of Mercantile Investment Company Limited (ASX: MVT).

The directors of EZA have considered the Bidder's Statement and unanimously recommend that you **REJECT** Mercantile OFM's inadequate Offer by **TAKING NO ACTION**, given:

- the Offer insufficiently values EZA:
 - the offer price of \$0.1375 per share is below the net tangible asset backing per share of \$0.1512; and
 - the offer price provides an insufficient premium for control relative to the share price;
- the offer is conditional;
- funding for the Offer is uncertain and accepting the Offer may expose you to credit risk associated with Mercantile OFM's ability to pay the offer price;
- should the offer become unconditional, accepting the all-cash Offer will deprive you of any opportunity to benefit from future exposure to potential EZA projects;
- accepting the Offer precludes you from accepting a Superior Offer made by any third party (should one emerge during the offer period); and
- there may be tax implications if you accept the Offer.

The target's statement to be issued by EZA will provide further information regarding the EZA directors' recommendation to REJECT the Offer, the risks associated with accepting the Offer and will respond to the Offer in detail.

EZA has engaged financial services firm BDO to prepare an independent expert's report. The purpose of this report is to consider, in BDO's opinion, whether the Offer is fair and reasonable to EZA shareholders. The independent expert's report will be included in the target's statement.

You will receive Mercantile OFM's bidder's statement in the coming days which will be followed by EZA's target's statement. You should carefully consider the bidder's statement and target's statement before deciding whether to accept the Offer.

Yours faithfully,

Mark Jones
Chairman
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