

8 June 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 24 May 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 Offer is made at the same price as Mercantile OFM's previous failed takeover bid that closed on 3 April 2017.

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 \$0.1489; 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 elected not to engage an independent expert for the purposes of an independent valuation, given that Mercantile OFM's previous failed bid closed only a matter of weeks ago. The Board would prefer to spend the funds on more meaningful exercises such as due diligence on potential opportunities.

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 making a decision in respect of the Offer.

Yours faithfully,



Mark Jones - Chairman
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