

7 July 2017

Dear Shareholders

SUPPLEMENTARY TARGET'S STATEMENT

This document is a supplementary target's statement given under section 644 and 647 of the *Corporations Act 2001* (Cth) (**Corporations Act**) by EZA Corporation Limited ACN 151 155 734 (**EZA**). It is the first supplementary target's statement (**Supplementary Target's Statement**) issued by EZA in relation to the off-market takeover bid for all the ordinary shares in EZA by Mercantile OFM Pty Ltd (**Mercantile OFM**).

This Supplementary Target's Statement supplements, and should be read together with, EZA's target's statement dated 23 June 2017 (**Target's Statement**).

A copy of this Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Unless otherwise defined in this Supplementary Target's Statement, capitalised terms in this Supplementary Target's Statement have the same meaning as defined in the Target's Statement. This Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

The information regarding Mercantile OFM contained in this Supplementary Target's Statement has been prepared by EZA from publicly available information. None of the information in this document concerning Mercantile OFM has been commented on, or verified by EZA. Accordingly, EZA does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Key points

- EZA has secured an exclusive right to acquire the Challa North and Challa South Gold and Base Metals projects in Western Australia
- The Directors remain of the unanimous view that the Offer undervalues EZA
- Shareholders are encouraged to obtain regular advice from their financial advisor and maintain a vigilant watch for ASX announcements by EZA and Mercantile
- The Directors continue to unanimously recommend that you **REJECT** the Offer

1. EZA executes exclusive right to acquire Challa Gold and Base Metals Projects

Further to the announcement of 3 July 2017, EZA is pleased to advise that it has signed an exclusive right to acquire the Challa North and Challa South gold and base metals projects in Western Australia (**Exclusive Right**). The total project area is in excess of 1,750 km² and lies between Mt Magnet and Sandstone (Figure 1). Ownership of the project area has previously been fragmented and has only recently been consolidated.

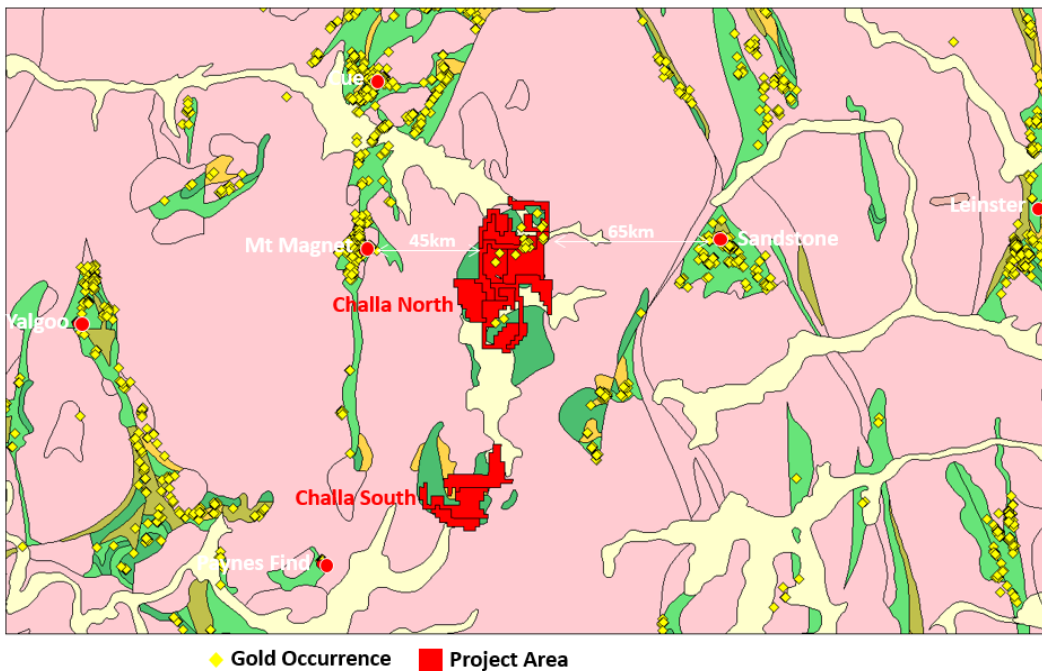


Figure 1

The Challa North area includes over 40 gold occurrences and several gold exploration targets. Historical small-scale prospecting has yielded gold nuggets (up to 9 ounces) and high grade gold (+5g/t) in outcropping quartz veins (Figure 2). Only limited drilling has been conducted in the project area.

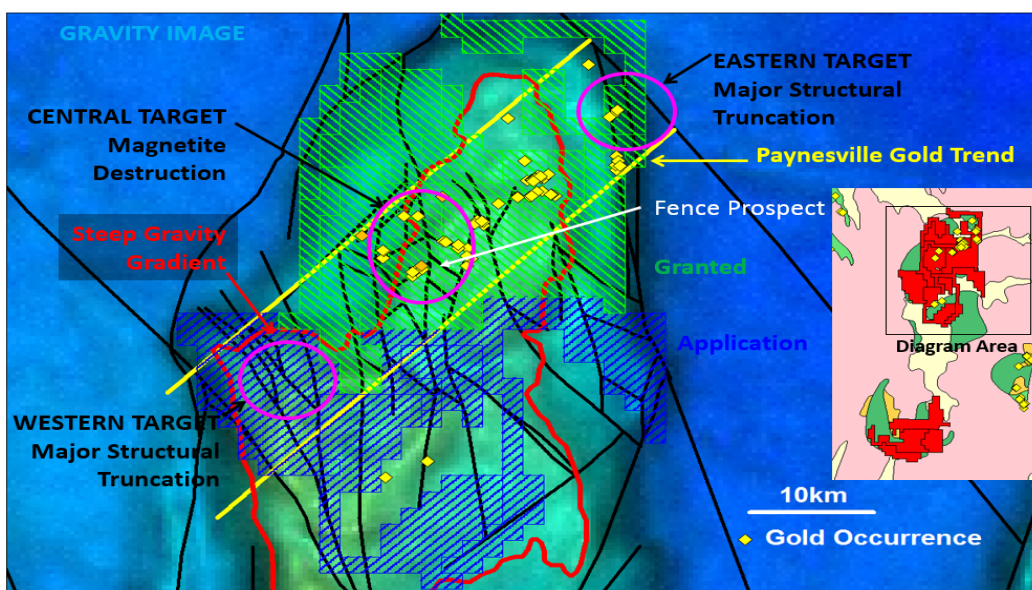


Figure 2

The Challa South area (Figure 3) hosts a magnetic anomaly which is coincident with anomalous Nickel-Copper-Cobalt lag geochemistry and olivine-bearing ultramafic rocks. Subject to further due diligence, this represents a potential near term drill target.

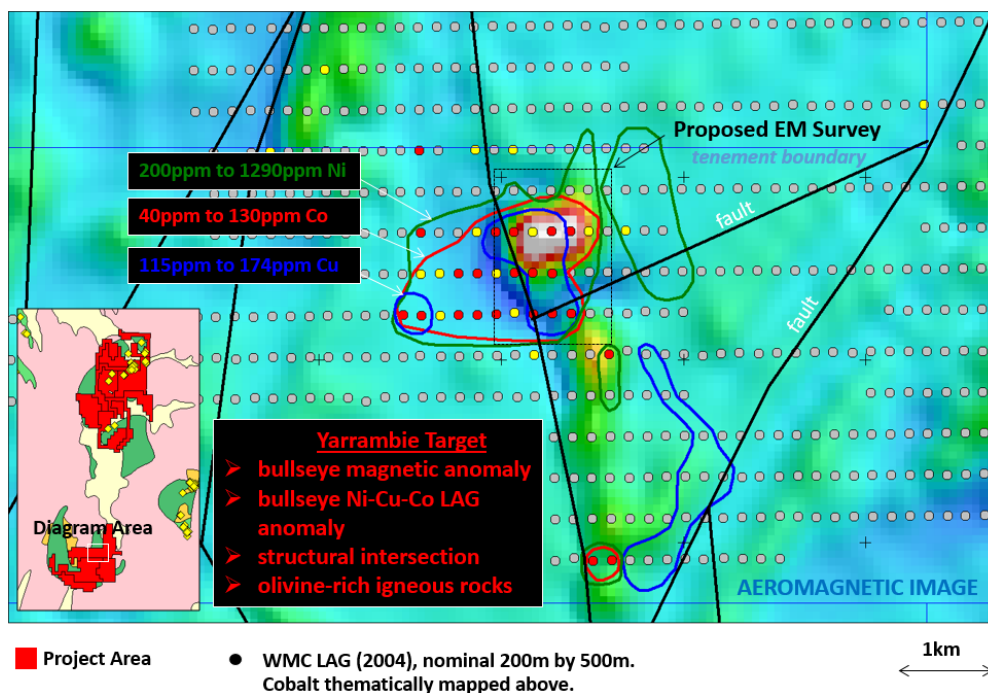


Figure 3

Commercial terms of the acquisition

EZA has signed the Exclusive Right and can acquire 100% of the exploration licences and applications from T.E. Johnston & Associates Pty Ltd, Pegmatite Holdings Pty Ltd, Mr Bruce Legendre, Mr Robert Perring and Corporate & Resource Consultants Pty Ltd (collectively the **Vendor Group**) upon completion of the following steps:

- \$25,000 cash payment, which was paid upon signing for an exclusive due diligence period ending 25 August 2017;
- \$50,000 cash payment at the end of the due diligence period if the Company elects to proceed;
- \$100,000 cash payment, 1,000,000 Shares and 1,000,000 unlisted options (with an expiry date of three years from the date of re-quotation of Shares on ASX and an exercise price of \$0.25) upon re-quotation of Shares on ASX; and
- 0.4% net smelter return payable on future production.

EZA will now conduct further legal and geological due diligence on the projects up until 25 August 2017. Should this process be successful and the Board elect to proceed with the transaction, EZA will pay \$50,000 to the Vendor Group and then begin the process required to resume trading on the ASX. This will involve a Shareholder meeting to approve the remaining consideration, a change to the nature of activities of EZA and any other resolutions necessary to comply with the Listing Rules and the Corporations Act, as well as any other resolutions deemed appropriate by the Board.

Key risks

There is a risk that completion of the acquisition of Challa North and Challa South will not occur, including if one or more of the conditions precedent to the acquisition are not fulfilled or waived. Further, there is a risk that Challa North and Challa South may not meet the requirements of the ASX for re-quotation of Shares on ASX.

If completion of the acquisition of Challa North and Challa South does occur, EZA will be exposed to a number of risks associated with exploration and development, including but not limited to exploration, land access, native title and aboriginal cultural heritage risks, environment risks, commodity price risks and mining law and regulation risks. Please refer to section 8.2(c) of the Target's Statement for further details in relation to the risks associated with exploration and development projects and section 8 of the Target's Statement for risks associated with EZA.

Effect of the Exclusive Right on Offer

The decision to enter into the Exclusive Right was made by your Board after careful consideration of all relevant circumstances, including the fact that the Offer may not proceed because of a breach of an Offer Condition arising from the Exclusive Right. It is open for Mercantile OFM to take the view that the Exclusive Right is a breach of an Offer Condition. This further reduces certainty of the Offer.

Shareholders should be aware that, irrespective of whether completion of the acquisition of Challa North and Challa South actually occurs, there can be no guarantee that:

(a) Mercantile OFM will not withdraw the Offer; or

(b) the Offer will ever become unconditional.

2. Directors' recommendation

The Directors continue to recommend that you **REJECT** the Offer on the basis that:

(a) the Offer Price is below the net tangible asset backing per Share of \$0.148 (at 6 July 2017); and

(b) the Offer Price provides no premium for control relative to the net tangible asset backing per Share.

The Directors' recommendations and intentions are given as at the date of this Supplementary Target's Statement. The Directors reserve the right to change their recommendations should new circumstances arise.

3. Amendments to Target's Statement

First and final Offer

Sections 1.3(e), 3, 5.10 and the Chairman's Letter of the Target's Statement refer to the Offer Price as being 'first and final' such that Mercantile OFM may not increase the Offer Price.

Mercantile OFM may increase its Offer Price in accordance with the Corporations Act. Refer to Section 9 of Appendix A of the Bidder's Statement in this regard. Accordingly, all statements in the Target's Statement to the effect that the Offer Price is first and final such that Mercantile OFM may not increase the Offer Price are withdrawn.

At the date of this Supplementary Target's Statement, the Directors are not aware of any intention of Mercantile OFM to increase the Offer Price.

Mercantile OFM's shareholding in EZA

Section 6.4 of the Target's Statement is amended to include details of Mercantile OFM's substantial shareholding in EZA. Based on publicly available information at the date of the Target's Statement, Mercantile OFM had a relevant interest in 4,244,358 Shares comprising a voting power of 6.95%.

At the date of this Supplementary Target's Statement, Mercantile OFM has a relevant interest in 5,608,045 Shares comprising a voting power of 9.18%.

4. Other notices

Forward-looking Statements

This Supplementary Target's Statement contains various forward-looking statements. Statements other than statements of historical fact may be forward-looking statements.

Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of EZA. Actual results, values, performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward-looking statement.

The forward-looking statements in this Supplementary Target's Statement on behalf of EZA only reflect views held as at the date of this Supplementary Target's Statement.

None of EZA, its officers, any person named in this Supplementary Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any results, values, performances or achievements expressed or implied in any forward-looking statement, except to the extent required by law. Shareholders should not place undue reliance on any such statement.

Timetable

The Offer is presently scheduled to close at 7.00pm (AEST) on 1 August 2017, but may extend be extended in certain circumstances in accordance with the Corporations Act.

The revised date for Mercantile OFM to give the notice on the status of the Offer Conditions to ASX and EZA is 25 July 2017 (subject to extension in accordance with the Corporations Act if the Offer Period is further extended).

Refer to the Notice of Variation dated 30 June 2017 issued by Mercantile OFM for further details.

Competent Person's Statement and Consents

The information in this Supplementary Target's Statement relating to Challa North and Challa South is based on, and fairly represents, the information and supporting documentation prepared by Mr Robert John Perring, a consultant of Quadramin, in compliance with the JORC Code 2012 details of which were released on ASX on 3 July 2017.

Mr Perring is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation under consideration to qualify as a Competent Person

as defined in the JORC Code 2012. Mr Perring is a member of the Vendor Group and is not an employee of the Company.

Mr Perring has given, and has not withdrawn before the date of this Supplementary Target's Statement, his consent to being named in this Supplementary Target's Statement and to the inclusion of statements in this Supplementary Target's Statement based on his information in the form and context in which it appears.

Mr Perring does not make, or purport to make, any statement in this Supplementary Target's Statement other than those statements referred to above and consented to by Mr Perring. To the maximum extent permitted by law, Mr Perring expressly disclaims and takes no responsibility for any part of this Supplementary Target's Statement other than as described in this section with Mr Perring's consent.

EZA confirms that it is not aware of any new information or data that materially affects the information in relation to Challa North and Challa South included in the 3 July 2017 announcement. EZA confirms that all material assumptions and technical parameters underpinning the information contained in the 3 July 2017 announcement continue to apply and have not materially changed.

As permitted by ASIC Class Order 13/521, this Supplementary Target's Statement may contain statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules). Pursuant to this Class Order, the consent of persons to whom such statements are attributed to is not required for the inclusion of those statements in this Supplementary Target's Statement. Any Shareholder who would like to receive a copy of these documents (or parts of these documents) may obtain a copy free of charge by writing to EZA's Company Secretary.

As permitted by ASIC Class Order 13/523, this Supplementary Target's Statement may include or be accompanied by statements:

- (a) fairly representing a statement by an official person;
- (b) from a public official document or a published book, journal or comparable publication.

Pursuant to that Class Order, the consent of person to whom such statements are attributed is not required for inclusion of those statements in this Supplementary Target's Statement.

5. Authorisation

This Supplementary Target's Statement is dated 7 July 2017 and was approved pursuant to a unanimous resolution passed at a meeting of the Directors.

Signed for and on behalf of
EZA Corporation Limited



Douglas Rose
Managing Director