

3 September 2018

YBR  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Dear Fellow YBR Shareholder,

### REJECT MERCANTILE'S TAKEOVER BID

Yellow Brick Road Holdings Limited (ASX: YBR) (**YBR** or the **Company**) advises that on 20 August 2018 it received a Bidder's Statement issued by Mercantile OFM Pty Ltd (**Mercantile**), a wholly-owned subsidiary of Mercantile Investment Company Ltd (ASX:MVT) (**MVT**), in relation to an off-market takeover offer by Mercantile to acquire all of the ordinary shares in YBR (**YBR Shares**) on issue at 21 August 2018 at a price of A\$0.09 in cash for each YBR Share (**Takeover Bid** or **Offer**).

On the same date, YBR issued an announcement to the Australian Securities Exchange (**ASX**) advising YBR shareholders, amongst other things, to take no action regarding their YBR Shares in response to the Takeover Bid. That advice still stands.

You will shortly be receiving the Bidder's Statement from Mercantile in relation to its Takeover Bid, so this letter contains important information for YBR shareholders to consider, including the unanimous view of your Directors that the **Mercantile Offer is grossly inadequate**.

**The YBR Directors recommend that shareholders REJECT Mercantile's Offer. To REJECT Mercantile's Offer, shareholders should TAKE NO ACTION and ignore all correspondence and phone calls from Mercantile in relation to its Takeover Bid.**

The reasons for the YBR Directors' unanimous recommendation include the following:

1. The Offer is grossly inadequate;
2. Mercantile's inadequate and opportunistic Takeover Bid would deprive YBR Shareholders of the full strategic value of their investment. YBR posted on the ASX its FY2018 Results together with its strategy and potential for future growth. The YBR directors believe this strategy will deliver greater benefit to YBR shareholders;
3. Mercantile's Offer of \$0.09 per YBR Share does not reflect YBR's full value relative to peer market valuations, nor any control premium typically paid to shareholders in comparable takeover transactions;
4. The price of YBR Shares on the ASX has traded consistently higher than Mercantile's Offer price since the Takeover bid was announced;
5. If you accept Mercantile's Offer, you will lose the option to participate in any subsequent superior offer for your YBR Shares from any third party, should one emerge;
6. The YBR Directors intend to reject Mercantile's Takeover Bid in respect of all shareholdings they own or control.

Yellow Brick Road Holdings Limited | ABN 44 119 436 083



YBR shareholders will have ample time to make a decision after receiving YBR's Target's Statement, which will be sent to you shortly and will expand on the reasons set out in this letter to **REJECT** Mercantile's Takeover Bid. In the meantime, you should ignore all correspondence from Mercantile.

Yours sincerely,

A handwritten signature in black ink that reads 'Mark Bouris'.

**Mark Bouris**  
Executive Chairman  
Yellow Brick Road Holdings Limited