

Notice pursuant to clause 20(1)(a) of schedule 8 to the Financial Markets Conduct Regulations 2014

1. On 25 October 2016, Mercer Group Limited (NZX:MGL) ("**Mercer**") announced that it would undertake a pro-rata 2.25 for 1 renounceable rights offer of new ordinary shares ("**New Shares**") in MGL to eligible shareholders with an issue price of \$0.01 per share ("**Offer**").
2. The Offer is made in reliance on the exclusion in clause 19 of schedule 1 to the Financial Markets Conduct Act 2013 ("**Act**"). This notice is a "cleansing notice" provided under clause 20(1)(a) of schedule 8 to the Financial Markets Conduct Regulations 2014 ("**Regulations**").

Continuous disclosure and "excluded information"

3. As at the date of this notice, Mercer is in compliance with:
 - (a) the continuous disclosure obligations that apply to it in relation to ordinary shares in Mercer; and
 - (b) its financial reporting obligations (as defined in clause 20(5) of schedule 8 to the Regulations).
4. At the date of this notice, the following items of "excluded information" (as defined in subclause 20(5) of schedule 8 to the Regulations) exist:
 - (a) Mercer is negotiating to purchase all of the shares of a business which has an operation which Mercer considers complementary with its own. As at the date of this notice, no agreement has been reached in relation to this acquisition.
 - (b) Further equity capital would likely be required to complete the acquisition. Mercer is considering options to raise such further capital which may include another rights issue, a placement of shares or convertible debt.
5. There is no other excluded information that is that is required to be disclosed for the purposes of the Regulations.

Control

6. The potential effects that the Offer and the issue of New Shares will have on the "control" (as defined in clause 20(5) of schedule 8 to the Regulations) if MGL and the consequences of those effects are as follows:
 - (a) At the date of this notice:
 - (i) no person controls Mercer; and
 - (ii) Humphry Rolleston and entities associated with Humphry Rolleston (together, the "**Rolleston Associates**") own 28.12% of the ordinary shares in Mercer.
 - (b) Asset Management Limited (a company owned and controlled by Humphry Rolleston) has agreed to fully underwrite the Offer and purchase up to 701,933,504 New Shares in Mercer pursuant to the underwriting arrangements (the "**Underwrite**").
 - (c) If all eligible shareholders take up their pro-rata entitlements to New Shares under the Offer, their percentage shareholding in Mercer will remain the same, being 71.88%, and there will be no effect on the control of Mercer.
 - (d) Shareholders with registered addresses outside of New Zealand may not be eligible to participate in the Offer (due to the legal requirements of the relevant jurisdiction being unduly onerous for Mercer to make the Offer in that jurisdiction), and their percentage shareholding will be diluted as a result of the issue of New Shares. Mercer does not consider that any dilution of overseas shareholders will materially effect control.
 - (e) Eligible shareholders who do not subscribe for all New Shares to which they are entitled under the Offer will have their proportionate shareholdings in Mercer diluted. The dilutionary impact will differ depending on the extent to which shareholders subscribe for New Shares to which they are entitled under the Offer. The maximum shareholding the Rolleston Associates will hold pursuant to the Offer and Underwrite is 77.88% (if eligible shareholders do not subscribe for any New Shares to which they are entitled under the Offer).
 - (f) Accordingly, the Offer and Underwrite could result in the Rolleston Associates obtaining control over Mercer depending on level to which eligible shareholders take up their pro-rata entitlement to New Shares under the Offer.