



# Chameleon Mining NL

ABN 17 098 773 785

ASX ANNOUNCEMENT

15 December 2010

## Federal Court to make Orders in favour of Chameleon

The Federal Court will today make Orders which will crystalize the liability of Murchison Metals Limited & Ors [**Murchison**] and Phillip Grimaldi [**Grimaldi**] to Chameleon as found in the Judgment of Justice Jacobson handed down on 20 October 2010.

The Orders will confirm Chameleon's claim that both Murchison and Grimaldi obtained funds from Chameleon in breach of their respective fiduciary duties or with knowledge of such breaches and used those funds in the acquisition of the Iron Jack Project.

The significant findings of fact in Chameleon's favour (see below) provide Chameleon with a strong foundation from which to proceed.

### ***As against Grimaldi***

The Federal Court has expanded Grimaldi's liability to include an order that Grimaldi account in favour of Chameleon for a further 12 million Murchison options. Chameleon believes that all these options were exercised into Murchison shares. This in effect more than doubles Grimaldi's liability to Chameleon (from 10 Million Murchison shares to 10 million Murchison shares *plus* 12 million Murchison options exercisable at 20c).

Given the very low option exercise price (20c) and the trading range for the shares in the relevant periods during which the Murchison shares were sold (up to circa \$5.50) the account of profit for this component of the Judgment may be significant. Where the shares were not, or have not been sold, the profit will be calculated with reference to the price of Murchison shares on 20 October 2010.

Chameleon will continue to take all steps to realise its Judgment against Grimaldi. The Orders will set out a basis for enforcement of the Judgment against Grimaldi.

***As against Murchison***

In relation to the Orders against Murchison the Company was successful in establishing a series of facts that included the following findings by the Federal Court, namely:

- that the value of funds obtained from Chameleon by breach of fiduciary duty applied for the benefit of Murchison comprised 24% of the cash consideration of the "Iron Jack Project" (Murchison's flagship asset); and
- Murchison was a knowing participant of the breaches of fiduciary duty proven by Chameleon at trial, and a knowing beneficiary of the funds obtained from those breaches of fiduciary duty; and
- Chameleon's funds were paid directly from Chameleon to the vendor's of the Iron Jack Project; and
- *but for* the receipt of the funds obtained through the breaches of fiduciary duty Murchison would not have obtained ownership of the Iron Jack Project.

It is Chameleon's view that the relief ordered by His Honour<sup>1</sup> to strip Murchison of the profits it made as a consequence of its breach of fiduciary duty and as a knowing beneficiary of the proceeds of such breaches is inadequate given the significant findings of fact in favour of Chameleon.

Accordingly, the Company considers that it would be in its shareholders' best interest to Appeal against the limited remedies awarded against Murchison.

As between Chameleon and Murchison costs have been reserved. Given the findings and Orders against Murchison, Chameleon expects (subject to any Appeal) that Murchison will ultimately be held liable to pay Chameleon's costs.

As foreshadowed in the most recent appearance before the court, Chameleon will seek leave to Appeal on or before 1 February 2011.

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<sup>1</sup> The Trial Judge proposes a remedy whereby Murchison would account for the income it derived from what the Court found to be breaches of fiduciary duty.