

25 October 2012

Dear Shareholder,

Please find enclosed the Notice of Annual General Meeting and Explanatory Memorandum for the 2012 Annual General Meeting for Murchison Metals Ltd ("Murchison" or "the Company").

As you would be aware, the 2012 financial year was an eventful one for the Company.

In July 2011, the Company received feasibility studies for the Jack Hills iron ore project owned by Crosslands Resources Ltd ("Crosslands") and the Oakajee Port and Rail ("OPR") infrastructure projects. Murchison had a 50% interest in each of the Crosslands and OPR projects with the remaining 50% held by Mitsubishi Development Pty Ltd ("Mitsubishi"). The Company also announced at that time that it was undertaking a strategic review to potentially assist with project funding for the projects or otherwise to unlock value for Murchison shareholders.

The strategic review culminated with the sale of Murchison's 50% interest in the projects to Mitsubishi in February 2012 for cash consideration of approximately \$325m ("Mitsubishi Transaction"). The sale proceeds were used to repay the Company's outstanding debt, employee entitlements and the balance of the amount the Company agreed to pay in full and final satisfaction of litigation commenced by Chameleon Mining Ltd against Murchison and Crosslands (the settlement of which was a condition precedent to completion of the Mitsubishi Transaction).

Following completion of the Mitsubishi Transaction, the Board undertook an extensive review process where it assessed the distribution of the majority of the Murchison's cash assets to Shareholders, against the alternative of potential investment opportunities in the natural resources sector.

After an exhaustive process, the Board concluded that none of the investment opportunities considered had the potential to enhance Shareholder value within an acceptable time horizon and accordingly the Board resolved to focus on the distribution of Murchison's cash assets to Shareholders.

In June 2012, the Company received a final class ruling from the Australian Tax Office confirming that the proposed distribution of funds would be treated as a return of capital and not an unfranked dividend for Australian tax purposes.

At a General Meeting on 16 August 2012, Shareholders approved a reduction of Murchison's share capital by an amount of \$0.46 per ordinary share, representing a return of approximately \$207m of the Company's cash assets. The capital return was paid to Shareholders on 14 September 2012.

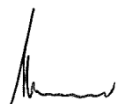
Subsequent to the end of the 2012 financial year the Company announced that it had sold its interest in the Rocklea iron ore project in the Pilbara for \$3.2m. The Company is considering options to realise value for its 3.2% interest in unlisted iron ore company Cashmere Iron Ltd or, alternatively, proceed with an in specie distribution of its shareholding in Cashmere to Murchison shareholders.

The Company has previously announced that it had received claims by Premar Capital Ltd (“PCL”) and O’Sullivan Partners (Advisory) Pty Ltd (“OP”). The claim by OP for fees OP claimed were payable pursuant to a letter of engagement for the provision of advisory services was referred to a binding expert determination process for final resolution. The expert determined that OP was not entitled to any further fees for work done under the letter of engagement but was entitled to receive retainer fees and administrative charges totalling \$35,682 and the further sum of \$1.75m plus interest from 20 February 2012, plus GST, by way of a quantum meruit claim. The Company is continuing negotiations with PCL.

Subject to reaching a satisfactory settlement of the PCL claim, the Board expects to seek Shareholder approval in the first quarter of 2013 to make a second distribution of surplus assets to Shareholders, and to appoint a liquidator to wind the Company up. Under the terms of the Mitsubishi Transaction, neither Murchison nor its wholly owned subsidiaries may be wound up before 20 February 2013 without Mitsubishi’s consent.

On behalf of the Board, I would like to thank Shareholders for the support the Company has received over this challenging period.

Yours sincerely,



Ken Scott-Mackenzie
Independent Non-Executive Chairman

**NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM**

**The Annual General Meeting of Shareholders of Murchison Metals Ltd
will be held at 9:30am (WST) on Thursday 29 November 2012
at The Celtic Club, 48 Ord Street, West Perth WA 6005**

If you are unable to attend the Annual General Meeting of Shareholders you may complete and return the enclosed proxy form or vote online in accordance with the specified directions.

These papers should be read in their entirety. If you are in doubt as to how you should vote, you should seek advice from your professional adviser without delay.

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Directors

Ken Scott-Mackenzie
Non-Executive Chairman

Greg Martin
Managing Director

S C Shin
Non-Executive Director

Company Secretary

Christopher Foley

Home Stock Exchange

Australian Securities Exchange Ltd
Exchange Plaza
2 The Esplanade
Perth WA 6000

Registered Office

Level 1
5 Ord Street
West Perth WA 6005

Telephone 08 9492 2600
Facsimile 08 9492 2650
Email info@mml.net.au

Postal Address
PO Box 904
West Perth WA 6872

Auditors

Ernst and Young
11 Mounts Bay Road
Perth WA 6000

Share Registry

Link Market Services Limited
Ground Floor
178 St Georges Terrace
Perth WA 6000

ACTION REQUIRED BY SHAREHOLDERS

Step 1: Read the Notice and Explanatory Memorandum

The Notice and Explanatory Memorandum sets out details of the Resolutions to be voted on at the Annual General Meeting. This information is important. You should read this document carefully and if necessary seek independent advice on any aspects about which you are not certain.

Step 2: Vote on the Resolutions

Your vote is important. The Annual General Meeting is scheduled to be held at 09:30am (WST) on 29 November 2012 at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005.

If you cannot attend the Annual General Meeting in person and wish to vote on some or all of the Resolutions, you can vote by completing the proxy form that accompanies this document and return it by no later than 09:30am (WST) / 12:30pm (AEST) on Tuesday 27 November 2012 by one of the following means of delivery:

- by hand to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or
- by post to Murchison Metals Ltd, c/- Link Market Services, Locked Bag A14, Sydney South, New South Wales, 1235; or
- by facsimile on +61 2 9287 0309.

Alternatively, you can vote online by visiting www.linkmarketservices.com.au. Select 'Investor Login' and enter Murchison Metals Limited or the ASX code (MMX) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

Please refer to the enclosed proxy form for more information about submitting proxy voting instructions.

Questions

If you have any questions about any matter contained in the Notice of Annual General Meeting or the attached Explanatory Memorandum, please contact Chris Foley (Company Secretary) on +61 8 9492 2600.

Key Dates

Details	Dates
<i>Last date of acceptance of proxies</i>	<i>09:30am (WST) on 27 November 2012</i>
<i>Date for determining entitlement to vote at the Annual General Meeting</i>	<i>4:00pm (WST) on 27 November 2012</i>
<i>Date of Annual General Meeting</i>	<i>09:30am (WST) on 29 November 2012</i>

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Shareholders of **MURCHISON METALS LTD** will be held at the following time and place:

Time: 09:30am (WST)

Date: Thursday 29 November 2012

Place: The Celtic Club
48 Ord Street
West Perth
Western Australia 6005

NOTICE OF ANNUAL GENERAL MEETING

Information on each of the following Resolutions is set out in the attached Explanatory Memorandum which forms part of this Notice.

1 Financial Statements and Reports

To receive and consider the annual Financial Report, together with the Directors' and Auditor's Reports, for the year ending 30 June 2012.

Note: *An electronic copy of the Financial Report, Directors' Report and Auditor's Report are included in Murchison's 2012 Annual Report which is available at www.mml.net.au.*

2 Resolution 1 – Election of Director (Mr S C Shin)

To consider and, if thought fit, to pass the following as an ordinary resolution:

"That Mr S C Shin, being a Director appointed since the last Annual General Meeting and who offers himself for election pursuant to Rule 11.1(c) of the Company's Constitution, be elected as a Director of the Company."

3 Resolution 2 – Re-election of Director (Mr Ken Scott-Mackenzie)

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That, Mr Ken Scott-Mackenzie, who retires in accordance with Rule 11.3 of the Company's Constitution, be re-elected as a Director of the Company."

4 Resolution 3 - Approval of Remuneration Report (Non-binding)

To consider and, if thought fit, to pass the following resolution as an advisory resolution of Shareholders:

"That the Remuneration Report for the financial year ended 30 June 2012 be adopted."

The Remuneration Report forms part of the Directors' Report (included in the Company's 2012 Annual Report to Shareholders at pages 11 to 18).

Voting Prohibition: In accordance with the Corporations Act, a vote on this Resolution 3 must not be cast (in any capacity) by or on behalf of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a closely related party of a member of the Key Management Personnel.

However, a person described above may cast a vote on this Resolution if the person:

- (c) does so as a proxy appointed by writing that specifies how the proxy is to vote on this resolution; and
- (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) and (b) above.

Shareholders who intend to appoint the Chairperson as proxy (including an appointment by default) should have regard to the important information below under the heading "Important information concerning proxy votes on Resolution 3".

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Memorandum

Shareholders are referred to the Explanatory Memorandum accompanying and forming part of this Notice of Annual General Meeting. Terms defined in the Explanatory Memorandum and used in the Notice of Annual General Meeting have the same meaning as in the Explanatory Memorandum.

Determining who holds Shares for the Purpose of the Annual General Meeting

It has been determined that under Corporations Regulation 7.11.37, for the purposes of this Annual General Meeting, Shares will be taken to be held by the persons who are the registered holders at 4:00pm (WST) / 7:00 pm (AEDT) on 27 November 2012. Accordingly, Share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

Proxies

Each Shareholder who is entitled to attend and vote has a right to appoint a proxy, and if a Shareholder is entitled to cast two or more votes that Shareholder may appoint 2 proxies. If a Shareholder appoints 2 proxies, the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of votes, each proxy may exercise one half of the Shareholder's votes. A proxy need not be a Shareholder of the Company.

In accordance with section 250BA of the Corporations Act, Shareholders are advised that the proxy forms must be received by no later than 09:30am (WST) / 12:30pm (AEST) on Tuesday 27 November 2012 by one of the following means of delivery:

- by hand to Link Market Services, 1A Homebush Bay Drive, Rhodes NSW 2138; or
- by post to Murchison Metals Ltd, c/- Link Market Services, Locked Bag A14 Sydney South, New South Wales, 1235; or
- by facsimile on +61 2 9287 0309.

Alternatively, shareholders can vote online by visiting www.linkmarketservices.com.au. Select 'Investor Login' and enter Murchison Metals Limited or the ASX code (MMX) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your proxy form if you lodge it in accordance with the instructions given on the website.

Please refer to the enclosed proxy form for more information about submitting proxy voting instructions.

Recent changes to the law have impacted on the way proxies vote at Company meetings. Broadly, these changes include that:

- if a proxy holder votes, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chairperson who must note the proxies as directed.

Please consult your professional adviser for further details.

NOTICE OF ANNUAL GENERAL MEETING

The Chairperson will vote undirected proxies in favour of Resolutions 1 and 2. In respect of Resolution 3, Shareholders should refer to the important information below under the heading "Important Information Concerning Proxy Votes on Resolution 3".

Important Information Concerning Proxy Votes on Resolution 3

The Corporations Act now places certain restrictions on the ability of Key Management Personnel and their closely related parties to vote on the advisory resolution to adopt the Remuneration Report and Resolutions connected directly or indirectly with the remuneration of the Key Management Personnel. "Key Management Personnel" has the same meaning given in the accounting standards. Broadly speaking this includes the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Key Management Personnel for the financial year ended 30 June 2012. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control. At the Annual General Meeting, the new laws will impact on Resolution 3.

For these reasons, Shareholders who intend to vote by proxy should carefully consider the identity of their proxy and are encouraged to direct their proxy as to how to vote on all resolutions. Undirected proxies held by Key Management Personnel or their closely related parties will not be voted on Resolution 3.

Shareholders who intend to appoint the Company's Chairperson as their proxy (including an appointment by default) are encouraged to direct the Chairperson as to how to vote on all Resolutions, including Resolution 3. If the Chairperson of the Meeting is your proxy and you do not direct the Chairperson how to vote in respect of Resolution 3, you will be deemed to have directed and expressly authorised the Chairperson to vote your proxy in favour of that Resolution. This express authorisation acknowledges that the Chairperson may vote your proxy even though:

- (a) the resolution is connected directly or indirectly with the remuneration of a member or members of the Key Management Personnel for the Company; and
- (b) the Chairperson may have an interest in the outcome of the resolution and that votes cast by the Chairperson for such a resolution, other than as authorised proxy holder, will be disregarded because of that interest.

Dated: 25 October 2012.

By order of the Board



Chris Foley
Company Secretary

Introduction

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting of the Company.

This Explanatory Memorandum forms part of and should be read in conjunction with the Notice of Annual General Meeting.

The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions. If you have any questions regarding the matters set out in this Explanatory Memorandum or the preceding Notice, please contact your accountant, solicitor or other professional adviser.

Agenda Item 1 - Consideration of Reports

The Corporations Act requires that the Financial Report, Directors' Report and the Auditor's Report be laid before the Annual General Meeting. In addition the Company's Constitution provides for such Reports to be received and considered at the meeting. Neither the Corporations Act nor the Company's Constitution requires a vote of shareholders at the Annual General Meeting on the statements at the Meeting.

As a Shareholder, you are entitled to submit a written question to the auditor prior to the Annual General Meeting provided that the question relates to:

- the content of the Auditor's Report; or
- the conduct of the audit in relation to the Financial Report.

All written questions must be received by the Company no later than 5.00pm WST on Thursday 22 November 2012.

All questions must be sent to the Company and may not be sent direct to the auditor. The Company will then forward all questions to the auditor.

The Company's auditor will be present at the Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the Auditor's Report, the Company's accounting policies, and the independence of the auditor.

Agenda Item 2 - Resolution 1 – Election of Director

Rule 11.1(c) of the Company's Constitution requires that a Director who was appointed since the last Annual General Meeting will cease to hold office at the next Annual General Meeting of the Company but is eligible for election at that meeting.

Accordingly, Mr S C Shin who was appointed as a Director since the Company's 2011 Annual General Meeting, retires and offers himself for election as a Director.

Mr SC Shin joined POSCO in 1989 and has held a variety of positions throughout his career, including Project Manager, POSCO Australia Pty Ltd; Team Leader, Coal Procurement Group; Team Leader, Steel Making Raw Materials Procurement Group and Group Leader, Raw Materials Transportation Group. Mr Shin was recently appointed as Managing Director of POSCO Australia. Mr Shin's previous roles include many years experience in Australia analysing potential investments for POSCO.

Agenda Item 3 – Resolution 2 – Re-election of Director

Rule 11.3 of the Company's Constitution and Listing Rule 14.4 require that one-third of the Directors (other than any Managing Director) retire from office at every Annual General Meeting. Accordingly, Mr Ken Scott-Mackenzie retires by rotation in accordance with the Company's Constitution and the Listing Rules and, being eligible, seeks re-election.

Currently the Chairman of ASX-listed mining and civil contractor Macmahon Holdings Limited and non-executive director of construction materials producer Adelaide Brighton Ltd, Mr Scott-Mackenzie has 36 years experience in the engineering, mining and construction sectors in Australia and overseas. A qualified mining engineer and lawyer, Mr Scott-Mackenzie spent 12 years as a senior executive of major Australian infrastructure developer Abigroup Limited, including two years as CEO after its takeover by German group Bilfinger Berger AG. Before retiring in 2009, Mr Scott-Mackenzie was for four years the inaugural CEO of Bilfinger Berger Australia Pty Ltd, which was established to consolidate all of Bilfinger's Australian businesses, being Abigroup, Boulderstone and Bilfinger Berger Services.

Agenda Item 4 - Resolution 3 - Approval of Remuneration Report

Section 298 of the Corporations Act requires that the annual Directors' Report contains a Remuneration Report prepared in accordance with section 300A of the Corporations Act.

By way of summary, the Remuneration Report:

- discusses the Company's policy and the process for determining remuneration of its executive officers and employees;
- addresses the relationship between the remuneration of the Company's executive officers and the performance of the Company; and
- sets out remuneration details for each Director and each of the executive officers of the Company named in the Remuneration Report for the financial year ended 30 June 2012.

In accordance with section 250R(2) of the Corporations Act, the Company is required to put a resolution to its members that the Remuneration Report as disclosed in the 2012 Annual Report be adopted. Pursuant to section 250R(3) of the Corporations Act, Shareholders should note that Resolution 1 is advisory only and does not bind the Directors or the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

The Corporations Act provides that if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive Annual General Meetings, Shareholders will be required to vote at the second of those Annual General Meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Directors (other than the Managing Director) who were in office at the date of the approval of the applicable Directors' Report must stand for re-election.

If you intend to appoint a member of the Key Management Personnel (including any Director or the Chairperson) or their closely related parties as your proxy, please refer to the important information contained in the Notice of Meeting under the heading "Important Information Concerning Proxy Votes on Resolution 3".

Additional Information

Shareholders should contact the Company Secretary on +61 8 9492 2600 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars, unless otherwise stated.

AEDT means Australian Eastern Daylight Time.

ASX means ASX Limited.

Board means the Company's board of Directors from time to time.

Chairperson means the person chairing the Meeting from time to time.

Company or **Murchison** means Murchison Metals Ltd (ABN 38 078 257 799).

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of Murchison from time to time.

Explanatory Memorandum means this explanatory memorandum.

Key Management Personnel has the meaning in the section "Important Information Concerning Proxy Votes on Resolution 3".

Listing Rules means the Official Listing Rules of ASX.

Meeting or **Annual General Meeting** means the annual general meeting convened by the Notice.

Notice or **Notice of Meeting** means the notice of meeting which forms part of this Explanatory Memorandum.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Shareholder means a holder of one or more Shares.

Share means a fully paid ordinary share in Murchison.

WST means Western Standard Time, Australia