

ASX ANNOUNCEMENT

ASX Code: MMX

20 November 2012

MURCHISON SHAREHOLDER UPDATE

Dear Shareholder,

As we approach the Company's Annual General Meeting on 29 November 2012, I would like to take this opportunity to update shareholders on what lies ahead in the next couple of months.

When Murchison relisted on ASX in 2005 it had a visionary proposal for the development of the mid-west region of Western Australia. However, in 2011 not long after I joined the Board and Greg Martin was appointed as the Company's Managing Director, it became apparent that vision was beyond the Company's capacity to realise. In coming to the conclusion that Murchison would not be able to realise its mid-west ambitions, the Board was left in the difficult position of seeking to extract maximum shareholder value for an as yet unrealised project that came at a substantial capital cost and at a time of escalating costs, declining commodity prices and global economic uncertainty.

The result, as shareholders will know, was that in late 2011 the Board took the significant decision to sell the Company's interests in the Jack Hills mine and the Oakajee port and rail infrastructure joint ventures to Mitsubishi Development Pty Ltd for \$325 million. The transaction was completed in February 2012 enabling the Company to repay outstanding debt, leaving the Company with approximately \$223 million of net available funds after the Company had met all of its obligations. Greg Martin and his team achieved a remarkable outcome for shareholders under very difficult circumstances.

The passage of time and events, both in iron ore markets and global markets more generally, since our decision to sell the Company's interests in these projects to Mitsubishi in late 2011 only serves to further validate the Board's decision to exit these projects when it did.

Following completion of the Mitsubishi transaction, the Board spent considerable time evaluating the merits of new investment opportunities in the natural resources sector. A great number of opportunities were reviewed by the Board but we came to the conclusion that none of them represented a compelling opportunity with the potential to enhance shareholder value within an acceptable time horizon.

Consequently, the Board made the decision that the Company should seek to realise the remainder of its non-cash assets and seek approval of shareholders to wind the Company up. As part of that strategy, the Board sought to return the maximum amount of cash possible to shareholders as efficiently as possible and in the shortest timeframe without, of course, jeopardising our duties to ensure Murchison remained a solvent entity. The Company sought and obtained a ruling from the Australian Tax Office that the distribution of the proceeds from the Mitsubishi transaction to shareholders would be treated as a capital return rather than a dividend. In addition, the Company took steps to realise value for the Company's remaining assets including the Rocklea iron ore project, and to seek to resolve a number of outstanding commercial disputes.

We are now close to completing this task. Approximately \$207 million has already been returned to shareholders and we have recently announced that we expect to make a second and final distribution in February/March 2013 in the range of 3.5 – 4.0 cents per ordinary share (\$15.84 million - \$18.09 million) taking the total return to shareholders to an amount of 49.5 – 50.0 cents per ordinary share (\$223 million - \$225 million in total).

Shareholders should expect to receive notices convening two general meetings in early 2013. The first meeting is to authorise the second and final capital return to shareholders including the proposed in specie distribution of the Company's shareholding in unlisted iron ore explorer, Cashmere Iron Ltd. The second meeting is to approve the winding up of the Company by way of a members' voluntary liquidation.

Unfortunately, due to the legal process associated with a members' voluntary liquidation, we are not able to deal with all matters at a single meeting. Further, we are not able to schedule these meetings any earlier than 20 February 2013 because, as part of the Mitsubishi transaction, we agreed that Murchison could not be wound up before that date.

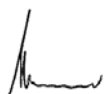
We have now reduced the Board and management team to the bare minimum required to finalise the legal processes ahead of us. It is however important that we retain a small number of key staff through to completion and naturally we must retain a Board with three directors in accordance with our legal requirements.

The upcoming Annual General Meeting will give shareholders the opportunity to ensure that the Board members that have seen the process through to this point will remain in place until such time as the members' voluntary liquidation is considered early next year.

I strongly encourage you to lodge your proxy vote for the upcoming Annual General Meeting and the forthcoming meetings relating to the second and final capital return and for the members' voluntary liquidation. **If all shareholders are not proactive in supporting the resolutions at these upcoming meetings, the final capital return may not proceed leaving your money locked up in a corporate shell.**

You can lodge your proxy vote either by completing and lodging the proxy form accompanying the relevant Notice of General Meeting, or by lodging your proxy online at www.linkmarketservices.com.au. Select 'Investor Login' and enter Murchison Metals Limited or the ASX code (MMX) in the Issuer name field, your Holder Identification Number (HIN) or Securityholder Reference Number (SRN) (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.

Yours sincerely,



Ken Scott-Mackenzie
Chairman

Murchison Metals Ltd

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